In the opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.

Ratings:

NEW ISSUE - BOOK-ENTRY-ONLY

Fitch (Insured): "AAA" **Fitch (Underlying): "A"**
Moody's (Insured): "Aaa" **Moody's (Underlying): "A3"**
Standard & Poor's (Insured): "AAA" **Standard & Poor's (Underlying): "A"**
(See "RATINGS" herein.)

$28,675,000
LOS ANGELES COUNTY
CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL Equipment Program)

Dated: Date of Delivery **Due: June 1 and December 1, as shown below.**

The Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds"), are being issued to finance the acquisition of certain equipment, machinery, vehicles and other tangible personal property to be leased to the County of Los Angeles, California (the "County") pursuant to a Lease Agreement, dated as of June 1, 2006 (the "Lease") by and between the County, as lessee, and the Los Angeles County Capital Asset Leasing Corporation, as lessor (the "Corporation"). Principal of and interest on the Bonds are payable from Base Rental payments to be made by the County pursuant to the Lease and from certain other sources, as described herein. See "Security and Sources of Payment for the Bonds."

The Bonds will be issued in authorized denominations of $5,000 and any integral multiple thereof. Interest on the Bonds will be payable semiannually each June 1 and December 1, commencing on December 1, 2006. See "The Bonds" herein. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds. See "The Bonds - Book-Entry System."

The Bonds are not subject to optional redemption prior to maturity. The Bonds are subject to mandatory redemption prior to maturity, as described herein. See "The Bonds-Redemption."

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

Maturity Schedule
Base CUSIP: 54466L

Maturity	Principal Amount	Interest Rate	Yield	CUSIP	Maturity	Principal Amount	Interest Rate	Yield	CUSIP
December 1, 2006	$5,075,000	4.00%	3.40%	DQ7	December 1, 2008	$3,105,000	4.00%	3.60%	DU8
June 1, 2007	5,400,000	4.00	3.50	DR5	June 1, 2009	2,525,000	4.00	3.62	DV6
December 1, 2007	5,265,000	4.00	3.54	DS3	December 1, 2009	2,110,000	4.00	3.67	DW4
June 1, 2008	4,550,000	4.00	3.57	DT1	June 1, 2010	645,000	4.00	3.70	DX2

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. Certain legal matters will be passed upon for the County and the Corporation by County Counsel. It is anticipated that the Bonds will be available for delivery to DTC on or about June 28, 2006.

Dated: June 15, 2006

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL Equipment Program)

Board of Supervisors

Michael D. Antonovich
Fifth District, Mayor

Gloria Molina
First District

Yvonne B. Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Sachi A. Hamai
Executive Officer-Clerk
Board of Supervisors

County Officials

David E. Janssen
Chief Administrative Officer

Raymond G. Fortner, Jr.
County Counsel

J. Tyler McCauley
Auditor-Controller

Mark J. Saladino
Treasurer and Tax Collector

Montague DeRose and Associates, LLC
Financial Advisor

The Bank of New York Trust Company, N.A.
Trustee

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Corporation.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof. This Official Statement is submitted with respect to the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Corporation.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY, THE CORPORATION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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COUNTY OF LOS ANGELES
CALIFORNIA

$28,675,000
LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION
LEASE REVENUE BONDS, 2006 SERIES A
(LAC-CAL Equipment Program)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings set forth in the Indenture and the Lease. See Appendix C - "Summary of Principal Legal Documents - Definitions."

General Description

This Official Statement, including the cover page and attached Appendices (the "Official Statement"), provides certain information concerning the issuance of the Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds") in the aggregate principal amount of $28,675,000. The Bonds will be issued pursuant to Chapter 10 (commencing with Section 5800) of Division 6 of Title 1 of the California Government Code and an Indenture of Trust (the "Indenture") dated as of June 1, 2006, by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and The Bank of New York Trust Company, N.A., as Trustee (the "Trustee"). The proceeds of the Bonds will be used to (1) redeem certain bond anticipation notes of the County (the "BANs"), whose proceeds were originally used to finance the acquisition of certain equipment, machinery, vehicles, and other tangible personal property (the "Equipment"), (ii) fund the Reserve Fund established pursuant to the Indenture and (iii) pay the costs of issuance of the Bonds. See "Estimated Sources and Uses of Funds." The Equipment will be leased pursuant to the Lease Agreement dated as of June 1, 2006 (the "Lease") by and between the Corporation and the County of Los Angeles (the "County").

General Terms of the Bonds

The Bonds are dated and will mature on the dates and in the principal amounts and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1, commencing on December 1, 2006 (the "Interest Payment Dates"). The Bonds will be issued in denominations of $5,000 and any integral multiple thereof. See "The Bonds - General Provisions." The Bonds are not subject to optional redemption. The Bonds are subject to mandatory redemption as set forth under the caption, "The Bonds - Redemption."

Book-Entry System

The Bonds will be delivered in book-entry form only and when issued and authenticated, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers of the Bonds will not receive Bonds representing their ownership interests in the Bonds purchased. Principal of and interest on the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Bonds. See the caption, “The Bonds - Book-Entry System” herein.

Security and Sources of Payment for the Bonds

Under the Lease, in consideration for the use and possession of the Equipment, the County is required to make certain payments designated as Base Rental (“Base Rental”) in the amounts, at the times and in the manner set forth in the Lease. The County is also required to make certain payments designated as Additional Rental (“Additional Rental”) pursuant to the Lease. Pursuant to the Indenture, the Trustee will apply Base Rental payments received from the County to pay principal of and interest on the Bonds.

The County has covenanted in the Lease to pay the Base Rental due thereunder from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental in its annual budget, and to make the necessary annual appropriations for all such Base Rental and Additional Rental (except to the extent such payments are abated as described herein). However, the County is not obligated to levy or pledge any form of taxation in order to pay such Base Rental and Additional Rental for the rental of the Equipment, nor has the County done so.

Payments under the Lease, except for certain moneys more particularly described in the Lease, will be abated in whole or in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County’s right of use or possession of the Equipment or any portion thereof. See “Security and Sources of Payment for the Bonds.”

The County

The County was established by an act of the California State Legislature on February 18, 1850, as one of the California’s original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With an estimated population of 10.3 million in 2005, the County is the largest of 58 counties in California and is more populous than 42 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, agriculture and tourism. For additional economic and demographic information with respect to the County, see APPENDIX A – “COUNTY OF LOS ANGELES INFORMATION STATEMENT” and APPENDIX B – “COUNTY OF LOS ANGELES FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2005.”

Limited Liability

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS RECEIVED PURSUANT TO THE LEASE AND FROM AMOUNTS HELD BY THE TRUSTEE IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED BY THE INDENTURE. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL AND ADDITIONAL RENTAL UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL OR ADDITIONAL RENTAL UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. UNDER CERTAIN CIRCUMSTANCES, BASE RENTAL MAY BE ABATED UNDER THE LEASE.

Bond Insurance

Payment of principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Ambac Assurance Corporation ("Ambac Assurance"). See "Bond Insurance" herein.

Continuing Disclosure

The County has covenanted to provide, or cause to be provided to each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission, certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriter of the Bonds in complying with Rule 15c2-12. See "Continuing Disclosure" herein for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports are to be made.

ESTIMATED SOURCES AND USES OF FUNDS

The Bond proceeds and other funds are expected to be applied approximately as set forth below:

SOURCES:	
Principal Amount of Bonds	$28,675,000.00
Original Issue Premium	189,934.85
County Contribution	18,588,711.60
TOTAL	$47,453,646.45
USES:	
Redemption of BANs	$46,211,740.84
Debt Service Reserve Fund	1,000,000.00
Costs of Issuance Account[1]	139,429.51
Underwriter's Discount	102,476.10
TOTAL	$47,453,646.45

(1) Includes rating agency fees, certain legal fees, financial advisory fees, electronic bid fees and printing costs.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General Provisions

The Bonds will be dated, will mature on the dates in the respective principal amounts, and will bear interest at the respective rates per annum, all as set forth on the cover page of this Official Statement. Interest on the Bonds will be computed using a year of 360 days comprised of twelve 30-day months and is payable on June 1 and December 1 of each year, commencing on December 1, 2006 (each such date being an "Interest Payment Date"). The Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in each case in the denominations of $5,000 or any integral multiple thereof. See "The Bonds - Book-Entry System."

Redemption

Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption. The Bonds are subject to mandatory redemption prior to maturity in whole on any date or in part on any Interest Payment Date at a redemption price equal to the principal amount thereof plus accrued but unpaid interest on the redemption date, without premium, from proceeds of insurance deposited in the Redemption Account of the Bond Fund established under the Indenture. The Bonds are only subject to mandatory redemption to the extent that Base Rental payments with respect to the remaining Outstanding Bonds do not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds are to be redeemed, the Trustee must select the Bonds for redemption proportionately among all maturities. Within a maturity, the Trustee will select Bonds for redemption by lot. The redeemed portion of any Bond to be redeemed in part must be in denominations of $5,000 or any integral multiple thereof. So long as a book-entry system is used for the Bonds, selection of Bonds for redemption will be made according to DTC's practices. See "The Bonds - Book-Entry System."

Notice of Redemption. Whenever redemption is required under the Indenture, the Trustee must give notice, at the expense of the County, of the redemption of the Bonds; provided, however, that neither failure of any Bondowner to receive a redemption notice or any defect in a redemption notice shall affect the sufficiency of the proceedings for the redemption of Bonds. The redemption notice must be given to the Bondowners by first class mail, postage prepaid, at least 30 but not more than 60 days prior to the redemption date at their addresses appearing on the Bond Register as of the close of business on the day before such redemption notice is given. The redemption notice must also be given to certain securities depositories and information services as provided in the Indenture. From and after such redemption date, if amounts sufficient to pay such Bonds are held by the Trustee, interest on the principal amount of the Bonds to be redeemed will cease to accrue.

Book-Entry System

General. The Bonds will be available in book-entry form only in the principal amount of $5,000 and any integral multiple thereof. So long as the Bonds remain in book-entry-only form, the principal and interest payments with respect to the Bonds will be made to DTC, or its nominee, Cede & Co., as registered owner of the Bonds.

DTC and its Book-Entry System. The information hereunder concerning DTC, and DTC's Book-Entry system has been obtained from DTC and the County, the Corporation and the Trustee take no responsibility for the completeness or accuracy thereof. The County, the Corporation and the Trustee cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (herein defined) (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC

Indirect Participants will act in the manner described hereunder. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non- U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non- U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (respectively, “NSCC,” “FICC,” and “EMCC,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non- U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Bonds by the Corporation will reduce the outstanding principal amount of the Bonds held by DTC. In such event, DTC will implement, through its book-entry system, redemption by lot of interests in the Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement redemption of the Bonds for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, the Corporation, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE COUNTY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR PREPAYMENT.

None of the County, the Corporation or the Trustee can or do give any assurances that DTC, the Participants or others will distribute payments of principal or interest evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the County, the Corporation or the Trustee is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

Discontinuance of Depository Services. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County, the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Base Rental and Additional Rental

The Lease requires the County to pay Base Rental for the use and possession of the Equipment and to pay, as Additional Rental, any taxes, assessments and insurance premiums with respect to the Equipment and to the extent not paid out of proceeds of the Bonds, the fees and expenses of the Trustee and any paying agent in connection with the authentication of the Bonds and the performance and enforcement of the Lease and the Indenture. The County has agreed to deposit the Base Rental payable under the Lease on each Lease Payment Date with the Trustee at least one Business Day prior to that Lease Payment Date. The County's obligation to pay Base Rental under the Lease shall commence on the date of issuance of the Bonds. The County has covenanted in the Lease to pay Base Rental from any source of legally available funds, and to take such action as may be necessary to include all Base Rental and Additional Rental Payments for the Equipment in its annual budgets and to make the necessary annual appropriations therefor (except to the extent such payments are abated as permitted under the Lease). See Appendix C - "Summary of Principal Legal Documents - Lease - Abatement."

Base Rental payments are scheduled to be paid as set forth below:

Lease Payment Date[(1)]	Principal Component	Interest Component	Base Rental Payment
December 1, 2006	$5,075,000	$487,475	$5,562,475
June 1, 2007	5,400,000	472,000	5,872,000
December 1, 2007	5,265,000	364,000	5,629,000
June 1, 2008	4,550,000	258,700	4,808,700
December 1, 2008	3,105,000	167,700	3,272,700
June 1, 2009	2,525,000	105,600	2,630,600
December 1, 2009	2,110,000	55,100	2,165,100
June 1, 2010	645,000	12,900	657,900

(1) Due on the Business Day immediately preceding June 1 and December 1 of each year, commencing on December 1, 2006, except if such Lease Payment Date is on a date which is not a Business Day then the Lease Payment Date will be the next preceding Business Day.

Pursuant to the Indenture, the Corporation has assigned to the Trustee, for the benefit of the Bondowners, all of its rights in and to the Lease, including the right to receive Base Rental payments and the right to enforce payment of Base Rental when due, but excluding the Corporation's rights to the payment of its expenses, to indemnification and certain other rights set forth in the Indenture. See Appendix C - "Summary of Principal Legal Documents - Indenture."

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay Base Rental and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Any component of the Equipment may be modified for the County's use after the execution and delivery of the Lease, provided that such modification is in compliance with the terms of the Lease, which requires, among other things, that any such modification will not cause the modified Equipment to have a value less than its value prior to the modification.

Reserve Fund

Amounts on deposit in the Reserve Fund established pursuant to the Indenture are pledged to pay principal of and interest on the Bonds. The Reserve Fund will initially be funded from the proceeds of the Bonds in the amount of $1,000,000, which is equal to the Reserve Requirement. If the amount on deposit in the Reserve Fund is determined by the Trustee to be less than the Reserve Requirement, the Trustee will promptly notify the County of such fact. Upon receipt of such notice, the County will transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts if available to make up the deficiencies. See Appendix C - "Summary of Principal Legal Documents - Indenture - Funds and Accounts."

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any component of the Equipment by the County. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the County and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, does not exceed the fair rental value for the use and possession of the portions of the Equipment not damaged or destroyed. Such abatement shall commence on the date of theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment or any affected portion of the Equipment, or the delivery of replacement Equipment or portions thereof. Additional Rental shall not be abated so long as a significant portion of the Equipment or portions thereof remains available for the use and possession of the County. Except as provided in the

Lease, in the event of any such theft, damage or destruction, the Lease shall continue in full force and effect and the County waives any right to terminate the Lease by virtue of any such theft, damage or destruction. See Appendix C - "Summary of Principal Legal Documents - Lease - Abatement."

Insurance

The County has agreed to obtain certain types of insurance, including rental interruption insurance and all-risk insurance including theft insurance, from private insurers, as long as such insurance is commercially available at a reasonable cost. No assurance can be given that such insurance will be commercially available at a reasonable cost during the entire term of the Lease. If any such insurance is not commercially available at a reasonable cost, the County has covenanted in the Lease to self-insure, and has further covenanted in the Lease that reserves for such self-insurance, other than with respect to workers' compensation insurance, will, in the opinion of the County's risk manager, be adequate. The County may not self-insure for rental interruption insurance.

Investment of Funds and Accounts

County General Fund moneys are generally deposited into the County Treasury to the credit of the County and invested in accordance with County investment policies. Pursuant to the Indenture, moneys held by the Trustee in any fund or account under the Indenture shall be invested in Qualified Investments pending application as provided therein, which investment may include the County Treasury Pool. See Appendix A - "The County of Los Angeles Information Statement - Los Angeles County Pooled Surplus Investments" and Appendix C - "Summary of Principal Legal Documents."

Description of the Equipment

The proceeds of the Bonds are to be used to refinance the acquisition of certain equipment, machinery, vehicles and other tangible personal property used by various departments of the County of Los Angeles, including the Sheriffs' Department, the Department of Health Services, the Department of Parks and Recreation, the Public Library, the Department of Beaches and Harbors and the Internal Services Department. Such property consists of Sheriffs' vehicles, medical equipment, and computer systems. The cost of each item of such equipment ranges from $4,329.74 to $1,461,617.49. The aggregate average useful life of such equipment will not be less than the weighted average maturity of the Bonds, and the individual useful life of such equipment ranges from three years to five years.

BOND INSURANCE

The following information has been supplied by Ambac Assurance for inclusion in this Official Statement. No representation is made by the Agency or the Underwriters as to the accuracy or completeness of the information. See Appendix G – "Form of Financial Guaranty Insurance Policy" attached hereto.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds (which is not provided for under the Indenture), the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on an Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder’s rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under this Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$9,417,000,000** (unaudited) and statutory capital of **$5,879,000,000** (unaudited) as of **March 31, 2006.** Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an Bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such Bond and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the County, as lessee under the Lease.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Bond Insurance".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006; and

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Bond Insurance – Available Information".

THE CORPORATION

The Los Angeles County Capital Asset Leasing Corporation is a California nonprofit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California (constituting Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was formed in February 1983 to assist the County, among other things, in financing the purchase of necessary equipment.

The Corporation is a separate legal entity from the County. It is governed by a five-member Board of Directors (the "Board") appointed by the Board of Supervisors of the County. The Board members receive no compensation. The Corporation has no employees. All staff work is performed by employees of the County.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds.

Not a Pledge of Taxes

The Bonds are special obligations of the Corporation payable solely from Base Rental payments received pursuant to the Lease and from amounts held by the Trustee in certain funds and accounts established by the Indenture. The obligation of the County to pay Base Rental and Additional Rental under the Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to pay Base Rental or Additional Rental under the Lease constitutes an indebtedness of the County, the State of California or any of its political subdivisions within the meaning of the constitution of the State of California. Under certain circumstances, Base Rental may be abated under the Lease.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Lease to pay Base Rental from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Lease that, for as long as the Equipment is available for its use and possession, the County will take such action as may be necessary to include all Base Rental payments due under the Lease in any Fiscal Year during the term of the Lease in its annual budgets for the Fiscal Year and to make the necessary annual appropriations for all such Base Rental payments. The County is currently liable on other obligations payable from general revenues.

Additional Obligations of the County

The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased.

The Base Rental payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Equipment, taxes and other governmental charges levied against the Equipment) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay principal of and interest on the Bonds when due.

Limitations on Remedies

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Lease and the Trustee is not empowered to sell the Equipment and use the proceeds of such sale to redeem the Bonds or pay debt service thereon or repossess the Equipment in any way. More specifically, the Trustee does not have the right: (i) to demand that the County return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

Under the terms of the Lease, the Trustee has the right to recover Base Rental payments as they become due under the Lease. The County will be liable only for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a Fiscal Year other than the Fiscal Year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest.

Additionally, enforceability of the rights and remedies of the Bondowners, and the obligations incurred by the Corporation and the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Bondowners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Lease. See "Security and Sources of Payment for the Bonds - Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Equipment. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. If the County's self-insurance reserves are inadequate or if the County receives insufficient commercial insurance proceeds to repair or replace any portion of the Equipment which is damaged or destroyed, the amount of Base Rental payable under the Lease could be abated. See "Security and Sources of Payment for the Bonds - Abatement" and "Risk Factors - Abatement."

Abatement

Except to the extent of amounts held in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and in the Reserve Fund, amounts received from rental interruption insurance, and amounts which may otherwise be legally available to the County and transferred to the Trustee for the purpose of paying Base Rental, payments under the Lease will be abated in whole in part during any period in which, by reason of damage, destruction or theft, there is substantial interference with the County's right of use or possession of the Equipment or any portion thereof. In the event of an abatement, the amount of rental abatement will be such that the resulting total Base Rental payments do not exceed the total fair rental value of the remaining portions of the Equipment not damaged, destroyed or taken. Abatement will continue for the period commencing with the date of damage, destruction or theft and shall end with the substantial completion of the work of repair or the delivery of a replacement for the affected portion of the Equipment.

Such reduced or abated Base Rental, together with other moneys available to the Trustee, may not be sufficient, after depletion of amounts in the Reserve Fund and expiration of rental interruption insurance with respect to the Equipment, if any, to pay principal of and interest on the Bonds in the amounts and at the rates set forth thereon. In such an event, all Bondowners would forfeit the right to receive a pro rata portion of interest attributable to abated Base Rental in any year of abatement and, to the extent Bonds matured during a period of abatement, such Bondowners would forfeit the right to receive a pro rata portion of principal attributable to such abated Base Rental. The failure to make such payments of principal and interest under such circumstances would not constitute a default under the Lease or the Indenture.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the County and the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the County in connection with the Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County and the Corporation, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences on the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters on the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable with respect to the Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the issuance of the Bonds by the Corporation are subject to the approval of Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix D hereto. Certain legal matters will be passed upon for the County and the Corporation by the County Counsel.

FINANCIAL ADVISOR

Montague DeRose and Associates, LLC served as Financial Advisor in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor have they undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

LITIGATION

No litigation is pending, or to the best knowledge of the County and the Corporation, threatened against the County or the Corporation concerning the validity of the Bonds or challenging any action taken by the County or the Corporation in connection with the authorization of the Indenture or the Lease or any other document relating to the Bonds to which the County or the Corporation is or is to become a party or the performance by the County or the Corporation of any of their obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make Base Rental payments. Note 15 of "Notes to the Basic Financial Statements" included in APPENDIX B discusses this liability as of June 30, 2005. See also APPENDIX A – "COUNTY OF LOS ANGELES INFORMATION STATEMENT" attached hereto.

RATINGS

Fitch, Inc. ("Fitch") has assigned the Bonds a rating of "AAA," Moody's Investors Service ("Moody's") has assigned the Bonds a rating of "Aaa" and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") has assigned the Bonds a rating of "AAA" with the understanding that upon the issuance of the Bonds, the Financial Guaranty Insurance Policy will be issued by Ambac Assurance. Fitch, Moody's and Standard & Poor's have also assigned underlying ratings of "A", "A3" and "A", respectively, to the Bonds. Such ratings reflect only the views of Fitch, Moody's and Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations at: Fitch, Inc., One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500; Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007-2796, telephone number (212) 553-0300; and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, telephone number (212) 438-2124. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Certificate"), the County has agreed to provide, or cause to be provided, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2006, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12 (each, a "Repository") certain annual financial information and operating data, including (i) assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended; (ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended; (iii) summary financial information on the proposed and adopted budgets of the County for the current Fiscal Year and any changes in the adopted budget; (iv) summary of aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year; (v) summary of annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and (vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended. See Appendix E - "Form of Continuing Disclosure Certificate."

In addition, the County has agreed to provide, or cause to be provided, to each Repository in a timely manner notice of the following "Listed Events" if determined by the County to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on the debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) optional, contingent or unscheduled bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. These covenants have been made in order to assist the Underwriters in complying with Rule 15c212. The County has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The County may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied: (a) if the amendment or waiver relates to the provisions of the Disclosure Certificate in connection with the provisions and content of the Annual Reports or Listed Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (b) the undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver either (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Bondowners or Beneficial Owners of the Bonds. The County shall describe such amendment and the reason therefor in its next annual report filed with the Repositories.

In addition, the County's obligations under the Disclosure Certificate shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds. In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under the Disclosure Certificate in the event or any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under the Disclosure Certificate.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Indenture, the Lease and the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

The County regularly prepares a variety of reports, including audits, budgets, and related documents, as well as certain monthly activity reports. Any Bondowner may obtain a copy of any such report, as available, from the County at the address set forth below.

This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County and the Board of Directors of the Corporation.

GLENN BYERS
DIRECTOR OF PUBLIC FINANCE
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
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COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX A

COUNTY OF LOS ANGELES INFORMATION STATEMENT

COUNTY OF LOS ANGELES

CALIFORNIA

THE COUNTY OF LOS ANGELES
Information Statement

GENERAL INFORMATION

The County of Los Angeles was established by an act of the California State Legislature on February 18, 1850, as one of California's original 27 counties. Located in the southern coastal portion of the State, the County covers 4,084 square miles and includes 88 incorporated cities as well as many unincorporated communities. With an estimated population of 10.3 million in 2005, the County is the largest of 58 counties in California and is more populous than 42 states. As required by the County Charter, County ordinances, and State or federal mandate, the County is responsible for providing government services at the local level for activities including public welfare, health and justice, the maintenance of public records, and administration of ad valorem taxes.

The County provides services such as law enforcement and public works to cities within the County on a cost-recovery contract basis. The County also provides municipal services to unincorporated areas of the County and operates recreational and cultural facilities in these locations.

COUNTY GOVERNMENT

The County of Los Angeles is governed by a five-member Board of Supervisors, each of whom is elected by residents from their respective supervisorial districts. Supervisors serve four-year alternating terms with elections held every two years. The other elected officials of the County are the Assessor, District Attorney and Sheriff. On March 5, 2002, County voters approved two charter amendments that introduced mandatory term limits for the eight elected officials of the County. As a result, each is now limited to serving three consecutive terms commencing as of December 2002.

Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries under the Contract Services Plan. Established in 1954, the Plan is designed to allow cities to contract for municipal services without incurring the cost of creating numerous city departments and facilities. Under the Plan, the County will provide any or all such municipal services to a city at the same level as provided in unincorporated areas, or at any higher level the city may choose. Services are provided at cost.

Over one million people live in the unincorporated areas of the County of Los Angeles. For the residents of these areas, the County Board of Supervisors is their "City Council," and County departments provide all of their municipal services, including law enforcement, fire protection, land use and zoning, building and business permits, road maintenance, animal care and control, and public libraries. Beyond the unincorporated areas, the County of Los Angeles provides a wide range of services to all citizens who live within its boundaries.

County Services

Many of the County's core functions are required by the County Charter, County ordinances, or by State or federal mandate. State and federally mandated programs, primarily in the social services and health care areas, are required to be maintained at certain minimum levels, which can limit the County's flexibility in these areas.

Health and Welfare

Under State Law, the County is required to administer federal and State health and welfare programs, and to fund a portion of the program costs with local revenues, such as sales and property taxes. Over 700,000 residents of the County receive benefits and services from these programs. Health care services are provided through a network of County hospitals and comprehensive health centers.

The County has the responsibility to provide and partially fund mental health, drug and alcohol prevention, and various other treatment programs. These services are provided through County facilities and a network of contracted providers. In addition, the County provides public health, immunization, environmental and paramedic services, and is responsible for the design and establishment of the county-wide emergency trauma network, which includes three medical centers operated by the County.

While many of the patients receiving services at County facilities are indigent or covered by Medi-Cal (a State health insurance program), the County health care delivery system provides quality care to the entire community. Through its affiliation with three medical schools and by operating its own school of nursing, the County Department of Health Services is a major supplier of health care professionals throughout California.

Disaster Services

The County coordinates an entire network of disaster recovery services responsible for responding to floods, fires, storms, earthquakes, and hazardous waste incidents. Centralized command centers can be established at any Sheriff station or in mobile trailers throughout the County. To prevent floods and conserve water, the County maintains and operates a system of 15 major dams, 131 debris basins, 86,500 catch basins, 42 sediment placement sites, and over 2,825 miles of storm drains and channels. County lifeguards monitor 31 miles of beachfront and County rescue boats patrol 75 miles of coastline, including the Catalina Channel.

Public Safety

The County criminal justice network is primarily supported by local County revenues, State Public Safety sales tax revenues and fees from contracting cities. The Sheriff provides county-wide law enforcement services and performs specific functions requested by local police departments, including the training of thousands of police officers employed by cities throughout the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily population of over 17,000 inmates.

General Government

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of property tax revenue to cities, community redevelopment agencies, special districts, and local school districts. A second major general government service is the County's voter registration and election system, which provides services to more than 500 political districts and 3.8 million registered voters.

Culture and Recreation

Through a partnership with community leaders, volunteers and the private sector, the County operates the Music Center complex, which includes the Dorothy Chandler Pavilion, Mark Taper Forum, Ahmanson Theater, and the Walt Disney Concert Hall. The County also functions as the operator of the Hollywood Bowl, the John Anson Ford Theater, the Los Angeles County Museum of Art, the Museum of Natural History, and the George C. Page Museum.

The County's botanical centers, including the Arboretum, the South Coast Botanic Garden, Descanso Gardens, and the Virginia Robinson Estate, provide County residents with a valuable recreational and educational resource. The County also manages over 63,000 acres of parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 7 major regional parks, 90 local and community regional parks and 19 golf courses.

EMPLOYEE RELATIONS/COLLECTIVE BARGAINING

Approximately 90% of the County workforce is represented by certified employee organizations. Under labor relations policy direction from the Board of Supervisors and Chief Administrative Officer, the CAO/Employee Relations Division negotiates fifty-two (52) individual Collective Bargaining Agreements and two Fringe Benefit Agreements. The Fringe Benefit Agreements reached with the Coalition of County Unions and SEIU Local 660 have a term of three years and will expire on September 30, 2006.

As of January 10, 2006, the Board of Supervisors had approved agreements with all fifty-two bargaining units with term dates of 2003-2006. These bargaining units are represented either by Local 660, the Coalition of County Unions (consisting of 10 unions), or by one of six independent unions.

During the first four months of 2006, the County reached agreement under re-opener provisions with the Association for Los Angeles Deputy Sheriffs, the Professional Peace Officers Association, and Probation Officers for new contracts that will extend through January 2009. Negotiations for similar contract extensions are currently ongoing with the four bargaining units represented by the Los Angeles County Fire Fighters and the Los Angeles County Lifeguard Association. With respect to the remaining forty-five (45) bargaining units, Successor 2006-2009 negotiations, which will include both salary and fringe benefits, will commence in July 2006.

Litigation by Contract Workers

In November 2000, three employees of contractors providing technical services to the County's Internal Services Department filed litigation (*Holmgren et al v. County of Los Angeles*) as a class action, alleging that they were improperly hired and treated as non-County employees even though the County directed and controlled their services. The plaintiffs seek County employee status and damages for alleged differentials in compensation and benefits. Two lawsuits (*Hall et al v. County of Los Angeles and Shiell et al v. County of Los Angeles*) filed prior to 2000 by employees of a contractor providing legal services to County Counsel make similar claims and seek similar remedies. The *Holmgren* and *Shiell* cases are still in the pre-trial stages of litigation. In the *Hall* case, summary judgment has been granted in favor of the County, and plaintiffs have filed an appeal. The potential financial impact of these cases on the County has not yet been determined.

Litigation by County Safety Police Officers

On June 6, 2002, a jury found the County liable in the class action lawsuit *Frank, et al. v. County of Los Angeles, et al*. The case had been filed on behalf of approximately 500 past and current members of the County's Safety Police, alleging among other things that County Safety Police officers had been denied equal pay and benefits in comparison to County deputy sheriffs due to racial discrimination.

The final judgment, which was entered on June 6, 2003, awarded back-pay to the plaintiffs of $42,760,559, plus $4,677,513 in attorneys' fees and a costs award of $60,843. Both the County and the plaintiffs filed notices of appeal in or about August 2003. The plaintiffs' appeal claims that they are entitled to prospective relief, which they've estimated to be more than $100 million, and which has not been specifically awarded by the court in its judgment. The appellate court has not yet scheduled oral argument on the matter, although it is anticipated that such argument will take place in 2006. The County's special counsel advises that there are significant meritorious grounds to overturn the judgment on appeal.

RETIREMENT PROGRAM

General

All permanent County employees of three-quarter time or more are eligible for membership in the Los Angeles County Employees Retirement Association ("LACERA"). LACERA was established in accordance with the County Employees Retirement Law of 1937 (the "Retirement Law") to administer the County's Employee Retirement Trust Fund (the "Retirement Fund"). LACERA operates as a cost-sharing multi-employer defined benefit plan for the County of Los Angeles and four minor participating agencies. Combined, these four non-County agencies account for less than one percent (1%) of LACERA's membership. Through the Retirement Fund and various benefit plans, LACERA provides retirement benefits to all general and safety (sheriff, fire and lifeguard) members.

The LACERA plans are structured as "defined benefit" plans in which benefit allowances are provided based on salary, length of service and age. County employees may participate in contribution based plans, or for those who began employment after January 4, 1982, in a non-contribution based plan. With respect to the contribution based plans, employee contributions to the retirement system are based on rates determined by LACERA's actuary. Such contributions depend upon age, the date of entry into the plan and the type of membership (general or safety).

LACERA's membership total as of June 30, 2005 was 143,133. This membership consisted of 61,382 active vested members, 25,002 nonvested active members, 49,769 retired members and 6,980 terminated vested (deferred) members.

Actuarial Valuation

The Retirement Law provides that the County contribute to the Retirement Fund on behalf of employees using rates determined by the plan's actuary (currently Milliman Consultants and Actuaries). Such rates are required under the Retirement Law to be calculated at least once every three years. LACERA presently conducts annual valuations to assess changes in the Retirement Fund's portfolio.

In June 2002, the County and LACERA entered into the Retirement Benefits Enhancement Agreement ("2002 Agreement") to enhance certain retirement benefits in a manner that is consistent with changes to State programs enacted in 2001 and fringe benefit changes negotiated in 2000. The 2002 Agreement, which expires in July 2010, provides for a 30-year rolling amortization period for any unfunded actuarial accrued liability ("UAAL"). UAAL is defined as the actuarial accrued liability minus the actuarial value of the assets of LACERA at a particular valuation date. Each year, contributions to fund the UAAL are amortized as a level percentage of the projected salaries of present and future members of LACERA over a 30-year period from the valuation date. Utilizing a level percentage of projected salaries methodology, this rolling 30-year amortization may cause the UAAL amount to increase over time. The amortization method, however, is only one of multiple factors that affect the UAAL, and other factors such as investment returns, changes in actuarial assumptions and benefit increases may cause an increase or decrease in the UAAL.

Beginning with Fiscal Year 2003-04, the Board of Investments adopted a new series of economic and non-economic assumptions to be used in LACERA's actuarial valuations. Important changes to the economic assumptions included a reduction in the Investment Return Rate from 8.0% to 7.75%, a reduction in Price Inflation from 4.0% to 3.5%, and a reduction to Payroll Increases from 4.0% to 3.75%. Changes to the non-economic assumptions included smaller merit salary increases for members with 10 or more years of service, a decrease in disability retirement rates and lower mortality rates. These new actuarial assumptions directly impact the actuary's valuation of the system, and determine the amount needed to fund the normal retirement cost and calculate any UAAL for the Retirement Program.

When measuring assets for determining the UAAL, the County has elected to "smooth" gains and losses to reduce volatility. If in any year, the actual investment return on the Retirement Fund's assets is lower or higher than the actuarial assumed rate of return (7.75%), then the shortfall or excess is smoothed, or spread, over a 3-year period. The impact of this will result in "smoothed" assets that are lower or higher than the market value of assets depending on whether the remaining amount to be smoothed is either a net gain or a net loss.

UAAL and Deferred Investment Returns

On April 26, 2006, the Board of Investments approved an annual valuation dated as of June 30, 2005. This valuation reported that the actuarial accrued liability had increased by 5.1% to $34.375 billion. In spite of this result, however the funded ratio improved from 82.8% as of June 30, 2004 to 85.8% as of June 30, 2005. The UAAL itself was calculated to be $4.9 billion at the close of the 2004-05 actuarial year. The decrease from $5.6 billion as of June 30, 2004 was caused almost entirely by higher than assumed investment returns, which occurred in two of the three years used to calculate the investment return on Plan assets. A six-year history of the County's UAAL is provided in Table 1 ("Retirement Plan UAAL and Funded Ratio") on page A-6.

The actuary's recommended contribution rate for the County to fund its portion of the UAAL for Fiscal Year 2006-07 is 5.33% of covered payroll. This rate represents the amount necessary to finance the UAAL over the 30 years beginning July 1, 2005 and is in addition to the County's normal cost contribution rate of 9.53% of covered payroll. The total County contribution rate of 14.86% has been included in the budget for Fiscal Year 2006-07 and is forecasted to be $822 million.

The valuation as of June 30, 2005 also identified $1.4 billion in deferred investment gains that will be "smoothed" into the UAAL calculation over the next two actuarial years. These gains are attributable to a 16.5% return on Plan investments for the year ending June 30, 2004 and an 11.0% return for the Fiscal Year 2004-05. A summary of investment returns for the prior six years is presented in Table 2 ("Investment Return on Retirement Plan Assets") on page A-6.

Investment Policy

The Board of Investments has exclusive control of all Retirement Fund investments and has adopted an Investment Policy Statement (the "Statement"). The Board of Investments is comprised of four active and retired members and four public directors appointed by the Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member. The Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants. The actual asset allocation percentages for LACERA's assets as of September 30, 2005 are 33% domestic equity, 24% international equity, 27% fixed income, 10% real estate, 5% alternative investments and 1% cash.

Contributions

Employers and members contribute to LACERA based on unisex rates recommended by an independent actuary (using the Entry Age Normal Cost Funding Method) and adopted by the Board of Investments and the County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary. Employers and participating agencies are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual pre-funded contributions at actuarially determined rates.

The County has funded 100% or more of its employer contributions to LACERA in each of the last nine years. In Fiscal Year 2004-05, the County's total contribution to the Retirement Fund was $750 million. Of this amount, approximately $223 million was funded from excess earnings. Total contributions of the County for Fiscal Year 2005-06 are forecasted to be $854 million. Towards this latter amount, the County expects to apply approximately $168 million of excess earnings to help fund its employer contribution to LACERA for retirement costs. A summary of employer contributions for the six years ending on June 30, 2005 is presented in Table 3 ("County Pension Related Payments") on page A-6.

As part of a multi-year plan to lessen its reliance on excess earnings, the County will reduce its use of the excess earnings credit by $50 million in Fiscal Year 2006-07 and increase the net cost to the County ("NCC") by this same $50 million amount. The 2006-07 Proposed County Budget represents the ninth consecutive year of increased NCC contributions to LACERA. Total increases in NCC resulting from this multi-year plan are expected to reach approximately $335 million by June 30, 2007.

Pension Obligations

A number of California public agencies, including the County, have issued pension obligations and transferred the proceeds to their respective pension plans so as to reduce their UAAL. In California, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by State Law. The effect of issuing pension related debt is to refinance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds or certificates, which are sold to the public. As of May 1, 2006, the County had outstanding pension obligations in the aggregate principal amount of approximately $737 million. The final payment on these pension bonds and certificates will be in Fiscal Year 2010-11. A more complete discussion of the County's pension obligations can be found in the "Debt Summary" portion of this Appendix. A six-year history of the County's debt service payments on its pension obligations is also presented in Table 3 on page A-6.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") currently provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. The STAR Program funded approximately $305 million for the vesting of the 2001 STAR Program benefits and approximately $5 million for the vesting of 2002-2005 STAR Program benefits. As of June 30, 2005, there were $657 million available in the STAR Program Reserve to fund future benefits. Future *ad hoc* increases to the current STAR Program will be subject to approval by the Board of Retirement on an annual basis, provided sufficient excess earnings are available as determined by the Board of Investments. Of the $657 million in STAR Program reserves, $632 million were included as valuation assets and used in the determination of the June 30, 2005 UAAL. Were this $632 million not included among the Retirement Plan's valuation assets, the recommended County contribution rate would have increased by 0.74% to 15.60%, and the funded ratio of the Retirement Program would have decreased to 84.0%.

Post Retirement Health Care Benefits

LACERA administers a Health Care Benefits Program ("HBP") under an agreement with the County. The HBP includes medical, dental and vision plans for over 69,000 retirees or survivors and their eligible dependents. Retirement plan net assets are not held in trust for post employment health care benefits and the Board of Retirement reserves the right to amend or revise the medical plans and programs under the HBP at any time. County contributions to fund retiree health care benefits are based on the retirement service credit of eligible members. For members with 10 years of service, the County contributes 40% of the health care plan premium. For each year of service beyond 10 years, the County contributes an additional 4% of the plan premium, up to a maximum of 100% for a member with 25 years of service credit.

In Fiscal Year 2004-05, total HBP-related payments for the County were $294.8 million. This amount included $62.3 million in contributions from LACERA excess earnings reserves. For Fiscal Year 2005-06, the County has estimated a total HBP-related payment of $327.9 million, of which $65.8 million will be funded by LACERA excess earnings. This growth in post-employment benefit payments is expected to continue in Fiscal Year 2006-07, with a projected County contribution of $282.7 million plus an offset from excess earnings of $70.7 million. Total HBP-related payments for Fiscal Year 2006-07 are forecasted to be $353.4 million.

The Governmental Accounting Standards Board ("GASB") has issued two statements that address other postemployment benefits (OPEB), which are defined to include post retirement health care benefits.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes financial reporting standards for OPEBs in a manner similar to those currently in effect for pension benefits. GASB 43 is focused on the entity that administers such benefits (currently LACERA) and requires an actuarial valuation to determine the funded status of benefits accrued. LACERA intends to comply with GASB 43 by the fiscal year ending June 30, 2007, as required under GASB 43.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes financial reporting standards designed to measure, recognize, and disclose OPEB costs. Currently, OPEBs are accounted for by the County on a pay-as-you-go basis, which does not require the accrual of costs associated with future OPEB payments. GASB 45 is focused on the County's financial statements and related note disclosures and is intended to associate the costs of the OPEB with the periods in which employee services are rendered in exchange for the OPEB. OPEB costs would become measurable on an accrual basis of accounting and actuarially determined contribution rates would be prescribed for funding such costs.

The core requirement of GASB 45 is that at least biennially an actuarial analysis must be prepared with respect to projected benefits ("Plan Liabilities"), which aggregate amount would be measured against the actuarially determined value of the related assets (the "Plan Assets"). To the extent that Plan Liabilities exceeded Plan Assets, the difference would be amortized over a period which could be up to 30 years. The method of financial reporting for OPEB costs would be similar to that used for pension plan normal costs and the UAAL thereof. The County intends to comply with the provisions of GASB 45 by no later than the fiscal year ending June 30, 2008, as required under GASB 45.

The standards set forth under GASB 45 affect the County's financial statements; however, they do not impose requirements on the funding of any OPEB. GASB 45 provides that OPEB costs, if not funded on an actuarial accrual basis, will be recognized as a liability in the County's financial statements. The UAAL of OPEBs has not been determined, nor have actuarially determined contribution rates been established to fund any such UAAL. The County is currently working with LACERA to determine the potential OPEB liability. The County's ability to fund OPEBs on an accrual basis in the future remains unknown, but the size of the liability is expected to be substantial.

The actuarial valuation of OPEBs for the County will mirror that which is computed for LACERA under the requirements of GASB 43. In anticipation of meeting their 2007 reporting deadline, LACERA has engaged Milliman Consultants and Actuaries to calculate an initial valuation of OPEB liabilities for the pension plan. It is anticipated that Milliman will complete this actuarial study in the fall of 2006. The data from this report will provide the first estimate of what the County might anticipate for its OPEB liability.

Retirement System Litigation

On October 1, 1997, the California Supreme Court issued a final ruling in *Ventura County Deputy Sheriffs' Association v. Board of*

Retirement. The Court established a new rule for determining which items of remuneration constituted "compensation earnable" and should be included in the calculation of final compensation for pension purposes.

Under the *Ventura* ruling, the Court determined that certain payments made by a county to its employees in excess of basic salary are included in the definition of compensation for purposes of the Retirement Law. Consequently, the County was required to increase the amount of payments to LACERA for the benefit of County employees. The *Ventura* Court, however, did not determine if its decision should be given retroactive effect.

On July 11, 2003 the Court of Appeal, First District, held in *In Re Retirement Cases* (2003) 110 Cal.App.4th 426, that *Ventura* applied retroactively within a 3-year statute of limitations. The Court further held that certain items of remuneration, such as vacation pay and sick pay, which employees are allowed to "cash out" upon termination did not involve cash payments to the employee *prior* to his or her retirement and should not be included in calculations of "final compensation." The California Supreme Court denied review. The matter was thereafter remanded to the various trial courts of the affected counties for implementation of judgment.

On December 7, 2004, the Board of Supervisors authorized the County to enter into an agreement with all parties to the litigation for joint submission of a proposed judgment to the trial court, which would establish the County's actuarial liability at $176.9 million, amortized over thirty years. The terms of the proposed settlement were then approved by the San Francisco Superior Court in August 2005.

In January 2005, an action was brought against LACERA entitled *Donald E. Simpson v. LACERA*. In this case, Plaintiff contends, inter alia, that he was misled when he transferred from LACERA Retirement Plan A into the non-contributory Plan E in 1982 and was thereafter continually misled by the County and LACERA, thereby tolling the statute of limitations. LACERA has filed a cross-complaint against the County. Should Plaintiff succeed in this action, LACERA and the County may face potential claims for reinstatement to Plan A by several hundred employees currently in Retirement Plans D or E. Trial is presently scheduled for July 14, 2006. If the plaintiff and other potential claimants were given the opportunity for reinstatement into Plan A, the estimated liability could be greater than $100 million. If the plaintiff alone is reinstated into Plan A, the liability is estimated at less than $1 million.

GENERAL LITIGATION

Litigation Regarding Reductions in Health Services

In March 2003, two lawsuits were filed in Federal District Court against the County challenging health care reductions approved by the Board. Specifically, *Rodde, et al. v. Bonta, et al. ("Rodde")* challenged the closure of Rancho Los Amigos National Rehabilitation Center (*"Rancho"*). *Harris, et al. v. County of Los Angeles, et al*. *("Harris")* challenged the closure of Rancho as well as the reduction of the 100 beds at LAC+USC Medical Center ("LAC+USC").

Negotiated settlements in the *Harris* and *Rodde* cases were approved by the Board of Supervisors in August 2005 and became final in December 2005 and March 2006, respectively. Pursuant to the settlement agreements, the County has agreed to keep Rancho open through March 9, 2009 at a specified level of service, during which time the County will seek to identify and negotiate with an organization to assume the future operation of Rancho. With respect to LAC+USC, the settlement allows for the graduated reduction of beds contingent upon the County providing additional outpatient care on the facility's campus and the facility reaching certain targets showing the efficiency of, and decreased demand on, the hospital.

Other Litigation

There are a number of other lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not impair the ability of the County to make debt service payments or otherwise meet its outstanding lease or debt obligations.

TABLE 1: RETIREMENT PLAN UAAL AND FUNDED RATIO
(in thousands)

Actuarial Valuation Date	Market Value of Plan Assets	Actuarial Value of Plan Assets	Actuarial Accrued Liability	UAAL	Funded Ratio
06/30/2000	$31,565,348	$25,426,507	$24,720,380	($706,127)	102.86%
06/30/2001	28,353,262	26,490,000	26,489,976	(24)	100.00%
06/30/2002	26,047,240	28,262,129	28,437,493	175,364	99.38%
06/30/2003	26,247,806	26,564,328	30,474,025	3,909,697	87.17%
06/30/2004	29,481,183	27,089,440	32,700,505	5,611,065	82.84%
06/30/2005	32,026,105	29,497,485	34,375,949	4,878,464	85.81%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005.

TABLE 2: INVESTMENT RETURN ON RETIREMENT PLAN ASSETS
(in thousands)

Fiscal Year	Market Value of Plan Assets	Market Rate of Return
1999-2000	$31,565,348	15.2%
2000-2001	28,353,262	-5.2%
2001-2002	26,047,240	-5.6%
2002-2003	26,247,806	3.6%
2003-2004	29,481,183	16.5%
2004-2005	32,026,105	11.0%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005.

TABLE 3: COUNTY PENSION RELATED PAYMENTS
(in thousands)

Fiscal Year[1]	Cash Payment to LACERA	Transfer From Excess Earnings to LACERA	Pension Bonds Debt Service	Total Pension Related Payments	Percent Change Year to Year
1999-00	$130,319	$211,832	$249,587	$591,738	--
2000-01	193,650	197,029	264,984	655,663	10.8%
2001-02	258,884	155,824	281,326	696,034	6.2%
2002-03	324,709	194,213	298,704	817,626	17.5%
2003-04	395,062	126,916	316,115	838,093	2.5%
2004-05	527,810	222,542	336,329	1,086,681	29.7%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2005 and County of Los Angeles Chief Administrative Office.

COUNTY BUDGET PROCESS

The County is required by California State Law to adopt a balanced budget by August 30. Upon release of the Governor's Budget in January, the Chief Administrative Office (the "CAO") of the County prepares a preliminary forecast of the County's budget based on the current year's budget, the Governor's budget, and other projected revenue and expenditure trends. Expanding on this forecast, a target County budget for the ensuing fiscal year, beginning July 1, is developed, and projected resources are tentatively allocated to the various County programs.

The CAO normally presents the Proposed County Budget to the Board of Supervisors in April. The Board of Supervisors is required by County Code to adopt a Proposed Budget no later than June 30. Absent the adoption of the Final County Budget by June 30, the appropriations approved in the Proposed Budget, with certain exceptions, become effective for the new fiscal year until a final budget is adopted.

Upon adoption of the final State budget, the CAO recommends revisions to the Proposed Budget to align County expenditures with approved State funding. After conducting public hearings and deliberating on the details of the budget, the Board of Supervisors adopts the Final County Budget by August 30.

Throughout the balance of the fiscal year, the Board of Supervisors approves various adjustments to the Final County Budget to reflect changes in appropriation requirements and funding levels. The levels of annual revenues from the State and federal governments are generally allocated pursuant to formulas specified in State and federal statutes. For budgetary or other reasons, such statutes can be amended, which could affect the level of County revenues and budgetary appropriations.

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

Proposition 13

Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed one percent of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment."

The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed two percent, a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors. The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast on the proposition.

Article XIIIB of the California Constitution limits the amount of appropriations of local governments for "proceeds of taxes." The County's appropriation limit for "proceeds of taxes" for 2005-06 is $12,590,591,069. The 2005-06 County Budget reflects proceeds of taxes at $5,222,019,000, which is well below the allowable limit.

Proposition 62

On September 28, 1995, the California Supreme Court upheld the constitutionality of Proposition 62, a 1986 initiative which requires voter approval of all new or increased local taxes. As a result, certain taxes first imposed or increased without voter approval after the effective date of Proposition 62 may be invalidated.

Following this decision of the California Supreme Court, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al*. In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection.

In reaching this conclusion, the court reversed the Court of Appeals decision which had held that the statute of limitations commences with the enactment of the original ordinance imposing the tax. The California Supreme Court held that, unless another statute or constitutional rule provides differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Therefore, a challenge to taxes subject to Proposition 62 may only be made for those taxes collected within three years of the date the action is brought.

In May 2005, a lawsuit entitled Oronoz v. County of Los Angeles, was filed against the County that contends the County's utility taxes do not meet the requirements of Proposition 62 and are therefore invalid. A class certification motion has been calendared for September 2006, and the parties are currently conducting discovery. It is estimated that the County collected approximately $204.7 million dollars in such taxes during the course of the last three years. The taxes collected have been placed in a reserve and could be applied to a refunding should the tax be determined invalid. Accordingly, the County does not believe that the impoundment of existing taxes or a judicial order to refund such previously collected taxes would adversely affect its ability to pay the principal of, and interest on, its debt obligations as and when they become due.

There are currently two critical issues yet to be determined by the courts regarding Proposition 62. Those issues are: 1) whether a current challenge brought as to the validity of non-voter-approved taxes is barred because of the delay in bringing a lawsuit to the attention of the local government; and 2) whether the decision holding the Proposition 62 voter-approved requirement for local taxes to be constitutional should only apply to taxes that are adopted after that decision. It is anticipated that it may take several years before a final decision is rendered by the courts on these issues.

Proposition 218

On November 5, 1996, California voters passed Proposition 218 which established the following requirements on all taxes and property-related assessments, fees, and charges:

- precluded special purpose districts or agencies, including school districts, from levying general taxes;
- precluded any local government from imposing, extending or increasing any general tax unless such tax is approved by a majority of the electorate;
- precluded any local government from imposing, extending or increasing any special purpose tax unless such tax is approved by two-thirds of the electorate;
- required that any existing general tax that was imposed, extended or increased by a local government on or after January 1, 1995 without voter approval be submitted to the voters for consideration by the November 1998 general election; and
- ensured that voters may reduce or repeal any local taxes, assessments, fees or changes through the initiative process.

An appellate court decision ruled that Proposition 218 did not supersede Proposition 62. Consequently, voter approval alone may not be sufficient to validate the imposition of general taxes adopted, increased or extended after January 1, 1995.

Proposition 218 also limits the use of benefit assessments, and imposes new landowner approval requirements for assessments. The Proposition does not apply to any existing assessment that was approved by a majority of voters, or assessments that were imposed exclusively to finance the capital costs or maintenance and operation of sidewalks, streets, sewers, water, flood control, or drainage systems. Existing assessments that are used to repay bonded indebtedness, of which failure to pay would violate the Contract Impairment Clause of the United State Constitution, are also exempted.

In a June 3, 1997 election, voters approved special tax measures to maintain the Fire Protection District's benefit assessment and the Public Library's benefit charge by the required two-thirds majority. In September 1998, the Board of Supervisors approved ordinance amendments that brought the County's general purpose taxes into conformance with Proposition 218 requirements.

PROGRAM FUNDING BY FEDERAL/STATE GOVERNMENTS

A significant portion of the County budget is comprised of revenues received from the federal and State governments. As indicated in the table "Historical Funding Requirements and Revenue Sources" on page A-12 of this Appendix, $3.9 billion of the $15.5 billion Proposed 2006-07 General County Budget is received from the federal government and $4.6 billion is funded by the State. The balance of $7.0 billion in County financing is generated from property taxes and a variety of other sources. The fact that 55% of General County financing is provided by the federal and State governments underscores the County's high reliance on those outside funding sources.

On February 6, 2006, the President released his proposed budget for Federal Fiscal Year 2007, which begins on October 1, 2006. While it includes proposals to reduce Federal aid to state and local governments, the proposed reductions would not be as severe as those proposed by the President last year. Also, many of his proposed budget cuts are identical to those which were proposed, but rejected by Congress last year. For example, similar to last year, the President once again is proposing to cap Medicaid payments to government providers, such as the County, to no more than the cost of providing services to Medicaid recipients, which could potentially cost the County's public hospitals $200 million a year. As in prior years, he also is proposing to eliminate the State Criminal Alien Assistance Program (SCAAP), which partially reimburses the County's costs of incarcerating undocumented criminal aliens. Last year, Congress increased SCAAP funding by 25 percent rather than adopting the President's budget proposal to eliminate SCAAP.

Many events will affect the amount the County actually receives from the federal and State governments in the future. As a result, the information in this Official Statement (including this Appendix A) relating to the funding the County expects to receive from federal and State governments is based upon the County's current expectations and is subject to the occurrence of future events.

Realignment Program

In Fiscal Year 1991-92, the State and county governments collectively developed a program realignment system that removed State funding for certain health and welfare programs, and provided counties with additional flexibility in the administration of such programs. Under this plan, these programs were funded through a one-half percent increase in sales taxes and increased vehicle license fees. Counties receive these funds under a fixed formula under State law and the flow of these funds is no longer subject to the State budget process. If sales tax and vehicle license fee revenues are not realized as expected, county governments will maintain responsibility for the management and cost of these health and welfare programs.

Tobacco Settlement

On November 23, 1998, the attorneys general of 46 states (including the State of California), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands reached agreement with the then four largest United States tobacco manufacturers to settle more than forty pending lawsuits brought by these public entities.

The Master Settlement Agreement (MSA) requires the tobacco companies to make payments to the states in perpetuity, with the payments totaling an estimated $206.0 billion through the year 2025. California will receive 12.76%, or approximately $25.0 billion of the total settlement. While the County's share of the State settlement is expected to average an estimated $105.0 million each year, the amount of funding may fluctuate significantly from year to year.

The California Legislative Analyst's Office has identified several factors that could impact the amount of actual funding available to the State, including actions of the federal government that could offset payments, declines in cigarette sales, lawsuits by nonparticipating local governments, tobacco company bankruptcies, and inflationary adjustments. To date there have been multiple legal challenges to the MSA under a variety of claims, including a claim on anti-trust grounds. None of these lawsuits has been successful or resulted in the termination of the original agreement.

The payments required under the settlement are also subject to numerous adjustments under the terms of the settlement including, without limitation, a volume adjustment, an inflation adjustment and an adjustment for non-participating manufacturers that did not sign the agreement. Recent actions by certain participating manufactures that are required to make settlement payments may adversely impact projected payments. An estimated thirteen (13) companies are claiming that they have lost market share as a result of the settlement agreement, and have also filed a complaint claiming that states are not adequately enforcing statues against tobacco companies that did not participate in the MSA. A portion of the settlement payments have been withheld until this matter is settled by the courts. Therefore, payments received by the states were reduced proportionately in April 2006 and the County received 9.2% less than expected, or $94.4 million rather than $104.0 million. While this decrease resulted in less revenue to the County, there will be no material impact to the budget since only $80 million in Tobacco Settlement Revenues (TSRs) have been allocated for specific programmatic use in Fiscal Year 2006-07.

It has been reported in the press that a majority of the settling states intend to commence enforcement proceedings under the MSA to compel the participating manufactures to make the 2006 annual payment, without reduction for any non-participating manufacturers adjustment, until the courts have reached a final non-appealable resolution to the issue. The California Attorney General initiated such proceedings on April 18, 2006 claiming that the State had diligently enforced its MSA responsibilities.

Neither the MSA nor the Memorandum of Understanding restricts the use of the County's settlement monies for any specific purpose. In December, 1998, the County Board of Supervisors initiated the preparation of a needs assessment and recommended spending plan.

The Board of Supervisors ordered that priority be given to certain health related activities, including the expansion of outpatient services, indigent health care, treatment of tobacco related diseases, and tobacco education and prevention programs. Proceeds received by the County from the settlement have been deposited in the County's General Fund and reserved in a designation for health services. Through April 30, 2006, the County has received $806.1 million in tobacco settlement proceeds and accrued interest. It is estimated that approximately $526.9 million of the collected proceeds will be expended by June 30, 2006.

The resulting difference between proceeds and expenditures of approximately $300 million came about primarily because of initial delays in developing a spending plan for the funds. DHS has also expended less than the appropriation from this source each year, which increased the amount maintained in reserve. Furthermore, the County does not budget tobacco settlement funds received in one fiscal year until the following fiscal year, which adds to the amount appearing in the reserve. While DHS has identified programmatic uses for projected ongoing tobacco settlement payments, it is currently developing a plan to use reserve funds primarily for one-time uses that help decrease its projected deficit.

On February 8, 2006, the County completed the sale of $319,827,107 in tax-exempt Tobacco Settlement Asset-Backed Bonds (Tobacco Bonds). The Tobacco Bonds were structured as a sale of the County's right, title and interest to 25.9% of its TSRs beginning in 2001. The sale of the Tobacco Bonds was undertaken to finance and refinance construction costs related to the LAC+USC Medical Center Replacement Facility, as well as insure against the risk of a substantial loss of a portion of the County's allocated tobacco revenues. The payment of debt service on the Tobacco Bonds will not commence until June 2011 and will be paid from 25.9% of the County's future TSRs to be received from the State. It has been determined that allocating this fixed percentage of TSRs to the financing will neither impede nor disrupt those DHS programs that rely on such revenues for funding.

STATE BUDGET

Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to an uncertain and volatile economy. Over the past ten years, the State budget has experienced broad fluctuations as the State has responded to the economic recession of the early 1990's, the economic recovery later in that decade, and the most recent recession and recovery. The State's budgetary decisions during this period have had significant financial and programmatic impacts on counties, cities, and other local jurisdictions.

Property Tax Shift

In response to the State's 1993-94 budgetary recession, the State shifted $2.1 billion in property taxes from counties and $500 million from cities, special districts and redevelopment agencies to school and community college districts. This action reduces the County's primary source of discretionary revenue. The reduction has been partially offset by revenues from the County's share of the Proposition 172 one-half cent public safety sales tax.

Public Safety/Justice Programs

In 2002, the State reappropriated $92.0 million in grant funding for the construction of a new crime laboratory in Los Angeles County, and authorized the issuance of lease revenue bonds for construction of the facility. The crime laboratory is currently under construction and is scheduled to be completed in February 2007.

Trial Courts

In 1998, the State enacted the Trial Court Funding Act which provided a major restructuring of Trial Court Funding to stabilize court funding and provide long-term fiscal relief to counties. Under the restructuring, the State assumed responsibility for funding trial court operations, including any increases in operational costs. Counties retained responsibility for facility costs and local judicial benefits and make an annual contribution to the Trial Court Trust Fund. The level of each county's contribution is based on each county's funding for court operations in 1994-95.

In November 2002, the State enacted SB1732 which establishes a governance structure and procedures for the transfer of court facilities from counties to the State. The legislation became effective January 1, 2003 and requires a phased approach during a three-year transition period that commences in 2004. Any facility transfer requires county payment for operations and maintenance costs. The county payment level will remain fixed under a maintenance of effort agreement to be negotiated between the State and the affected county. As of April 2006, no County of Los Angeles facility transfers have occurred.

Disproportionate Share Hospitals and Medi-Cal Redesign

Recent legislation (SB 1100) will dramatically restructure Medi-Cal payments to California's safety net Disproportionate Share Hospitals (DSH) under a new federal Medicaid 1115 Waiver. While subject to revisions based on the State's analysis, the Department of Health Services (DHS) estimates that it will receive additional Medi-Cal Redesign funding of approximately $72.7 million in Fiscal Year 2005-06 and $92.1 million in Fiscal Year 2006-07.

It should be noted that the Centers for Medicare and Medicaid Services has approved an Inpatient State Plan Amendment. Approval of DSH and Physician State Plan Amendments are pending approval by the State

STATE-LOCAL GOVERNMENT FINANCES

Local Government Agreement

The 2004-05 Final State Budget included an agreement with local governments to limit the proposed shift in property tax revenues to $1.3 billion for the two years ending with Fiscal Year 2005-06. After this period, local governments would relinquish $4.1 billion of VLF backfill revenue in return for an equal amount of property taxes. The State would be constitutionally precluded from implementing future property tax shifts and the State will begin repayment for unreimbursed State mandates over a five-year period commencing in 2006-07. This agreement was reinforced by the passage of Proposition 1A in the November 2, 2004 election.

Proposition 1A

On November 2, 2004, California voters approved the passage of Proposition 1A, which will restrict the State's authority over local government finances. This proposition provided for an amendment to the State Constitution that will limit the State's authority to reduce local sales tax rates or alter their method of allocation, shift property taxes from local governments to schools or community colleges, or decrease Vehicle License Fee revenues without providing replacement funding.

Proposition 1A further amends the State Constitution to require the State to suspend State laws that create unfunded mandates in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

2006-07 STATE BUDGET

The Governor's proposed State Budget, released in January 2006, has substantially less of an impact to the County than in prior years due in part to the passage of Proposition 1A. The Governor's Budget, among other things, proposes to continue the suspension of the Property Tax Administration Grant Program (PTAP) ($13.5 million) and reduces funding for the CalWORKs Programs ($88.2 million), for an overall estimated $105.0 million loss of revenue. This reduction is partially offset by a gain of $78.8 million from the partial repayment of deferred mandates and the Fiscal Year 2004-05 Proposition 42 loan, continuation of the Proposition 36 Program, and funding for election cost reimbursement. The estimated net loss to the County is approximately $26.2 million.

On May 12, 2006, the Governor released revisions to the Proposed 2006-07 State Budget. The County's public safety agencies are the prime beneficiaries of the Governor's May Revision although other departments, such as Mental Health, will also benefit. In addition, the May Revised Budget restores $36.3 million in funding for CalWORKs Programs. Should the Governor's May Revision be adopted in its entirety, the County would likely experience an overall net gain of approximately $33.6 million.

Expect for the suspension of the PTAP, the impacts of any new State proposed reduction are not included in the County's 2006-07 Proposed Budget. Upon adoption by the State Budget, the County will align its budget to be consistent with State action.

THE COUNTY BUDGET

The County Budget is comprised of eight (8) fund groups through which the County's resources are allocated and controlled. These groups include the General, Hospital Enterprise, and Debt Service Funds (that represent the General County Budget), Special Funds, Special District Funds, Other Enterprise Funds and Other Funds.

The General County Budget accounts for approximately 79.8% of the 2006-07 Proposed County Budget and funds programs that are provided on a mostly county-wide basis (e.g., health care, welfare, and detention facilities), municipal services to the unincorporated areas not otherwise included in a special district, and certain municipal services to various cities on a contract fee-for-service basis (e.g., law enforcement, planning and engineering).

Special Funds represent approximately 9.0% of the 2006-07 Proposed County Budget and are used to account for the allocation of revenues that are restricted to specific purposes, such as Public Library operations, courthouse construction programs and operations, and specified automation projects.

Special Districts account for approximately 8.0% of the 2006-07 Proposed County Budget and are separate legal entities funded by specific taxes and assessments. These districts provide public improvements and/or services benefiting targeted properties and residents. They are governed by the Board of Supervisors and include, among others, the Flood Control, Garbage Disposal, Sewer Maintenance and Regional Park and Open Space Districts.

Other Enterprises reflect only 0.8% of the 2006-07 Proposed County Budget and are distinct fiscal entities that fund the operations of certain governmental units which, like private businesses, provide specific services to the general public and are primarily funded by user fees. Included in this fund group are the Waterworks Districts and the Transit Fund.

Other Funds include approximately 2.4% of the 2006-07 Proposed County Budget and go towards a number of separate legal entities such as the Community Development Commission and Housing Authority, which are not special districts but are controlled by the Board of Supervisors.

The following table details historical General County appropriations.

County of Los Angeles: General County Budget
Historical Appropriations by Fund
(in thousands)

Fund	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06	Proposed 2006-07
General Fund	$ 12,129,125	$ 12,104,810	$ 12,616,794	$ 13,723,601	$ 13,732,033
Hospital Enterprise Fund	1,746,353	1,640,514	1,745,137	1,963,466	1,721,563
Debt Service Fund	44,489	43,521	44,362	10,290	9,511
Total General County Budget	$ 13,919,967	$ 13,788,845	$ 14,406,293	$ 15,697,357	$ 15,463,107

County of Los Angeles: General County Budget
Historical Funding Requirements and Revenue Sources
(in thousands)

	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06	Proposed 2006-07
Requirements					
Social Services	$ 4,647,236	$ 4,696,224	$ 4,711,572	$ 4,651,813	$ 4,484,301
Health	4,253,006	4,216,053	4,318,251	4,638,706	4,793,563
Justice	3,361,320	3,401,501	3,550,049	3,826,565	4,020,408
Other	1,658,405	1,475,067	1,826,421	2,580,273	2,164,835
Total	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 15,463,107**
Revenue Sources					
Property Taxes	$ 1,637,300	$ 1,756,796	$ 2,532,415	$ 2,744,055	$ 3,237,383
State Assistance	4,684,729	4,260,158	4,252,927	4,417,274	4,603,761
Federal Assistance	4,284,553	4,510,919	4,070,743	3,986,571	3,922,219
Other	3,313,385	3,260,972	3,550,208	4,549,457	3,699,744
Total	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 15,463,107**

County of Los Angeles: General County Budget
Historical Summary of Funding Requirements by Budgetary Object and Available Financing
(in thousands)

	Final 2002-03	Final 2003-04	Final 2004-05	Final 2005-06	Proposed 2006-07
Financing Requirements					
Salaries & Employee Benefits	$ 6,091,773	$ 6,245,540	$ 6,607,111	$ 7,101,154	$ 7,628,425
Services & Supplies	4,532,836	4,539,358	4,619,687	4,993,336	4,998,692
Other Charges	3,772,010	3,779,382	3,782,145	3,607,279	3,393,432
Fixed Assets	444,208	372,395	490,517	812,222	691,937
Other Financing Uses	1,258,244	1,005,172	1,129,523	1,406,675	1,529,557
Residual Equity Transfers Out	377	370	299	291	287
Appropriation for Contingencies	100,322	22,526	16,221	-	32,116
Interfund Transfer	(1,715,532)	(1,584,315)	(1,728,744)	(2,099,672)	(2,209,262)
Gross Appropriation	$ 14,484,238	$ 14,380,428	$ 14,916,759	$ 15,821,285	$ 16,065,184
Less: Intrafund Transfers	738,466	697,293	708,686	769,845	778,571
Net Appropriation	$ 13,745,772	$ 13,683,135	$ 14,208,073	$ 15,051,440	$ 15,286,613
Reserves					
General Reserve	$ 4,581	$ 4,367	$ 4,007	$ 3,747	$ 3,000
Designations/Other Reserves	169,385	100,987	194,034	641,722	173,047
Estimated Delinquencies	229	356	179	448	447
Total Financing Requirements	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 15,463,107**
Available Financing					
Fund Balance	$ 605,949	$ 681,196	$ 874,846	$ 911,894	$ 624,429
Cancellation of Reserve/Designation	447,023	264,763	222,101	944,318	383,443
Property Taxes: Regular Roll	1,601,800	1,706,011	2,452,682	2,638,633	3,123,000
Supplemental Roll	35,500	50,785	79,733	105,422	114,383
Revenue	11,229,695	11,086,090	10,776,931	11,097,090	11,217,852
Total Available Financing	**$ 13,919,967**	**$ 13,788,845**	**$ 14,406,293**	**$ 15,697,357**	**$ 15,463,107**

Source: Chief Administrative Office

RECENT COUNTY BUDGETS

Recent General County Budgets have reflected a conservative approach and sought to maintain a stable budgetary outlook in a volatile and uncertain fiscal environment.

The stability of the County's budget over the past ten years has been highlighted by:

- the County's initiation of a multi-year plan to lessen its reliance on surplus investment earnings from LACERA to fund ongoing costs of the retirement program. By substantially increasing its Net County Cost (NCC) contribution over the prior eight (8) fiscal years ($50 million in Fiscal Year 2005-06 and $285 million since Fiscal Year 1998-99), the County has significantly reduced its use of the surplus investment credit;

- the allocation of $556.0 million in local one-time discretionary funding on deferred maintenance and capital improvement needs;

- increased federal and State revenues for mental health and probation programs;

- the amendment of County ordinances that brought the County's general purpose taxes into conformance with Proposition 218 restrictions and requirements;

- a decrease in welfare assistance payments due to the enactment of the State's Welfare-to-Work Act of 1997 and creation of the California Work Opportunity and Responsibility to Kids Program (CalWORKs) with the intent of assisting recipients in the transition from welfare to employment through increased administrative flexibility and access to certain support services, such as child care, that diminish barriers to employment;

- the approval of a $110.3 million Security Action Plan for the County, to be funded from State and federal revenue, to augment specialized firefighting, health and law enforcement activities in response to the September 11, 2001 terrorist attacks and the subsequent threat of further terrorist acts;

- an increase in preventative, outpatient care services through the implementation of public-private partnerships with community based health organizations in accordance with the requirements of the federal Medicaid 1115 Waiver;

- the gradual elimination of 1115 Waiver funding over the five-year extension period ending on June 30, 2005; and

- an increase in funding to reopen jail facilities throughout the Sheriff's custody system and to add deputies to increase patrols in the unincorporated areas of the County.

These actions, combined with a gradual improvement in the local economy and the absence of additional revenue shifts by the State, have resulted in the highest level of stability since 1992-93.

Current and future County budgets are further stabilized due to the passage of Proposition 1A in November 2004, which secured long-term financial protection from a State reallocation of property tax revenues during times of State fiscal crisis. The State can no longer reallocate local property taxes to reduce the costs for funding schools. While Proposition 1A guarantees more predictable funding and relief from unfunded mandates, the County was required to contribute $103.2 million to the State in both 2004-05 and 2005-06 as part of the Local Government Agreement. This agreement also provides for the substitution of vehicle license fee funds with property tax revenues, which gives the County increased reliability as property taxes have historically been one of the least volatile forms of revenue.

Health Services

The expiration of a federal Medicaid 1115 Waiver on June 30, 2005, combined with the structural imbalance in the DHS budget, represents the County's most difficult budgetary challenge. An annual structural deficit of approximately $300 million has resulted in the need to use one-time funding to address ongoing commitments.

DHS has been planning for anticipated budget deficits for several years. In 2002, it released a System Redesign proposal to provide a comprehensive approach to consolidating and reducing services as well as obtaining additional federal and State financial support. The Board of Supervisors approved this plan in June 2002. DHS successfully implemented some of the plan's recommendations; however, legal action resulting in a Federal Court injunction has until recently prevented the transition or closure of Rancho Los Amigos National Rehabilitation Center (Rancho) and the reduction of 100 inpatient beds at LAC+USC Medical Center, each of which would have resulted in substantial savings.

On August 9, 2005, the Board of Supervisors approved a negotiated settlement with the plaintiffs in the above-referenced legal action (the Harris-Rodde Settlement Agreements). The Federal District Court approved the *Harris* settlement on December 19, 2005, and the *Rodde* settlement on March 10, 2006. These settlement agreements allow for the phased reduction of beds at LAC+USC contingent upon meeting established milestone reductions in patients' average length of stay. Specifically, DHS was able to reduce 25 beds immediately, with additional decreases tied to achieving and maintaining milestone reductions for prescribed periods of time. The settlement also calls for DHS to continue to operate Rancho, although at a reduced size with only core rehabilitation services, for a three-year period through March 9, 2009, while the County simultaneously seeks an entity to take-over hospital operations. DHS estimates that it will be able to achieve cumulative net savings of approximately $61.4 million as a result of implementing settlement-related efforts through Fiscal Year 2008-09. (See "General Litigation" in the Information Statement section of this Appendix A for additional information).

DHS presented its most recent fiscal outlook to the Board of Supervisors on May 2, 2006. While the DHS Fiscal Year 2006-07 Proposed Budget is balanced, additional costs and potential sources of revenue identified in the fiscal outlook report are currently being reviewed as part of the County's budget process. Included with the fiscal outlook was a deficit management plan requested by the Board, which anticipates a surplus of $56.5 million in Fiscal Year 2006-07, and an operating deficit of approximately $117.9 million in Fiscal Year 2007-08 upon implementation. In addition to this plan, which also includes strategies to facilitate potential new sources of revenue as well as to enhance existing revenue sources for maximum benefit, DHS continues to evaluate the configuration of health services within Los Angeles County and will present recommendations to the Board of Supervisors for further savings.

Property Tax for Emergency Services

The Board of Supervisors approved the placement of Measure B on the County's November 5, 2002 ballot, which proposed a property tax increase of three cents per square foot of structural improvements to fund trauma and emergency medical services at public and private medical facilities throughout the County. It was anticipated that passage of this property tax increase would generate up to $168.0 million per year.

The County's voters approved Measure B on November 5, 2002 with a 73% majority vote. DHS has developed plans to maximize the benefit of the Measure B funds. The 2006-07 Proposed County Budget includes $203.9 million in Measure B funds to support trauma and emergency medical services at public and private medical facilities in the County and to fund the DHS bioterrorism preparedness activities.

2006-07 PROPOSED BUDGET

The 2006-07 Proposed Budget, which was approved by Board of Supervisors on April 18, 2006, appropriates $19.4 billion, a 2.5% decrease from the prior year. For General County purposes (General Fund, Hospital Enterprise Fund and Debt Service Fund), the Proposed Budget appropriates $15.4 billion, which represents a 1.5% decrease from the 2005-06 Final Adopted Budget. The General County Budget adds 2,803 positions for Fiscal Year 2006-07.

The 2006-07 Proposed General County Budget is supported by $3.2 billion in property taxes, $3.9 billion in federal contributions, $4.6 billion in State contributions, $383 million in reserves and cancelled designations and approximately $4.0 billion in other funding. The Proposed Budget is based in part on the following economic assumptions:

- 8.5% increase in property tax
- 3.5% increase in local sales tax
- 3.5% increase in realignment sales tax
- 3.5% increase in public safety augmentation sales tax
- 6.1% increase in realignment vehicle license fees

Overall, the 2006-07 Proposed General County Budget results in a $233.6 million decrease. The decrease is the result of eliminating the one-time use of fund balance generated in Fiscal Year 2004-05 (-$286.9 million) that was used to fund one-time expenditures, the deletion of cancellations of reserves/designations (-$351.1 million), and various workload/caseload reductions (-$152.8 million), partially offset with new program requirements ($557.2 million). The new program requirements are focused in four critical areas: public protection, health services, children services and homeless and housing programs.

The Board of Supervisors is scheduled to consider recommendations to the 2006-07 Proposed Budget through final deliberations, which begin on June 26, 2006. Deliberations will continue on a daily basis until a Final 2006-07 Budget is adopted. Unlike many prior years, these deliberations should not be significantly impacted by possible changes to the State budget. The passage of Proposition 1A has made the impact of the State budget process far more predictable and far less volatile to the County.

The tables on the following pages summarize and compare the Final Adopted 2005-06 General County Budget with the Proposed 2006-07 General County Budget.

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF FINAL ADOPTED 2005-06 BUDGET TO PROPOSED 2006-07 BUDGET
Net Appropriation: By Function
(In thousands)

Function	2005-06 Final Budget (1)	2006-07 Proposed Budget (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 853,908.0	$ 945,761.0	$ 91,853.0	10.76%
General Services	227,932.0	219,297.0	(8,635.0)	-3.79%
Public Buildings	662,803.0	573,864.0	(88,939.0)	-13.42%
Total General	$ 1,744,643.0	$ 1,738,922.0	$ (5,721.0)	-0.33%
Public Protection				
Justice	3,585,055.0	3,760,224.0	$ 175,169.0	4.89%
Other Public Protection	128,752.0	125,099.0	(3,653.0)	-2.84%
Total Public Protection	$ 3,713,807.0	$ 3,885,323.0	$ 171,516.0	4.62%
Health and Sanitation	$ 4,638,706.0	$ 4,744,528.0	$ 105,822.0	2.28%
Public Assistance	4,651,813.0	4,577,147.0	(74,666.0)	-1.61%
Recreation and Cultural Services	219,479.0	225,616.0	6,137.0	2.80%
Insurance and Loss Reserve	73,897.0	73,897.0	-	0.00%
Reserves/Designations	645,917.0	176,494.0	(469,423.0)	-72.68%
Debt Services	9,095.0	9,064.0	(31.0)	-0.34%
Appropriation for Contingency	-	32,116.0	32,116.0	100.00%
Total Requirements	$ 15,697,357.0	$ 15,463,107.0	$ (234,250.0)	-1.49%
AVAILABLE FUNDS				
Property Taxes	$ 2,744,055.0	$ 3,237,383.0	$ 493,328.0	17.98%
Fund Balance	911,894.0	624,429.0	(287,465.0)	-31.52%
Cancelled Prior-Year Reserves	944,318.0	383,443.0	(560,875.0)	-59.39%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 482,104.0	$ 509,881.0	$ 27,777.0	5.76%
Homeowners' Exemption	20,562.0	20,575.0	13.0	0.06%
Public Assistance Subventions	1,423,413.0	1,472,442.0	49,029.0	3.44%
Other Public Assistance	463,775.0	538,181.0	74,406.0	16.04%
Public Protection	737,376.0	848,130.0	110,754.0	15.02%
Health and Mental Health	898,781.0	846,316.0	(52,465.0)	-5.84%
Capital Projects	100,854.0	68,584.0	(32,270.0)	-32.00%
Other State Revenues	65,449.0	37,881.0	(27,568.0)	-42.12%
Total State Revenues	$ 4,192,314.0	$ 4,341,990.0	$ 149,676.0	3.57%
Federal Revenues				
Public Assistance Subventions	$ 2,145,989.0	$ 2,029,324.0	$ (116,665.0)	-5.44%
Other Public Assistance	209,614.0	201,174.0	(8,440.0)	-4.03%
Public Protection	207,408.0	132,166.0	(75,242.0)	-36.28%
Health and Mental Health	554,071.0	566,757.0	12,686.0	2.29%
Capital Projects	5,318.0	1,821.0	(3,497.0)	-65.76%
Other Federal Revenues	3,810.0	2,297.0	(1,513.0)	-39.71%
Total Federal Revenues	$ 3,126,210.0	$ 2,933,539.0	$ (192,671.0)	-6.16%
Other Governmental Agencies	101,945.0	82,828.0	(19,117.0)	-18.75%
Total Intergovenmental Revenues	$ 7,420,469.0	$ 7,358,357.0	$ (62,112.0)	
Fines, Forfeitures and Penalties	$ 192,355.0	$ 195,662.0	$ 3,307.0	1.72%
Licenses, Permits and Franchises	55,694.0	53,727.0	(1,967.0)	-3.53%
Charges for Services	1,465,234.0	1,482,602.0	17,368.0	1.19%
Other Taxes	187,657.0	192,960.0	5,303.0	2.83%
Use of Money and Property	124,735.0	128,215.0	3,480.0	2.79%
Miscellaneous Revenues	1,119,433.0	915,094.0	(204,339.0)	-18.25%
Operating Contribution from General Fund	531,513.0	891,235.0	359,722.0	67.68%
Total Available Funds	$ 15,697,357.0	$ 15,463,107.0	$ (234,250.0)	-1.49%

(1) Reflects the Final Adopted 2005-06 Budget approved by the Board of Supervisors on September 20, 2005.
(2) Reflects the Proposed 2006-07 General County Budget approved by the Board of Supervisors on April 18, 2006.

COUNTY OF LOS ANGELES
FINAL ADOPTED 2005-06 GENERAL COUNTY BUDGET [(1)]
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Debt Services Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS				
General				
General Government	$ 853,908.0	$ -	$ -	$ 853,908.0
General Services	227,932.0	-	-	227,932.0
Public Buildings	662,803.0	-	-	662,803.0
Total General	$ 1,744,643.0	$ -	$ -	$ 1,744,643.0
Public Protection				
Justice	$ 3,585,055.0	$ -	$ -	$ 3,585,055.0
Other Public Protection	128,752.0	-	-	128,752.0
Total Public Protection	$ 3,713,807.0	$ -	$ -	$ 3,713,807.0
Health and Sanitation	$ 2,675,240.0	$ -	$ 1,963,466.0	$ 4,638,706.0
Public Assistance	4,651,813.0	-	-	4,651,813.0
Recreation and Cultural Services	219,479.0	-	-	219,479.0
Insurance and Loss Reserve	73,897.0	-	-	73,897.0
Reserves/Designations	644,722.0	1,195.0	-	645,917.0
Debt Services	-	9,095.0	-	9,095.0
Appropriation for Contingency	-	-	-	-
Total Requirements	$ 13,723,601.0	$ 10,290.0	$ 1,963,466.0	$ 15,697,357.0
AVAILABLE FUNDS				
Property Taxes	$ 2,738,213.0	$ 5,842.0	$ -	$ 2,744,055.0
Fund Balance	908,610.0	3,284.0	-	911,894.0
Cancelled Prior-Year Reserves	559,093.0	1,007.0	384,218.0	944,318.0
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 482,104.0	$ -	$ -	$ 482,104.0
Homeowners' Exemption	20,500.0	62.0	-	20,562.0
Public Assistance Subventions	1,423,413.0	-	-	1,423,413.0
Other Public Assistance	463,775.0	-	-	463,775.0
Public Protection	737,376.0	-	-	737,376.0
Health and Mental Health	840,379.0	-	58,402.0	898,781.0
Capital Projects	100,854.0	-	-	100,854.0
Other State Revenues	65,449.0	-	-	65,449.0
Total State Revenues	$ 4,133,850.0	$ 62.0	$ 58,402.0	$ 4,192,314.0
Federal Revenues				
Public Assistance Subventions	$ 2,145,989.0	$ -	$ -	$ 2,145,989.0
Other Public Assistance	209,614.0	-	-	209,614.0
Public Protection	207,408.0	-	-	207,408.0
Health and Mental Health	551,348.0	-	2,723.0	554,071.0
Capital Projects	5,318.0	-	-	5,318.0
Other Federal Revenues	3,810.0	-	-	3,810.0
Total Federal Revenues	$ 3,123,487.0	$ -	$ 2,723.0	$ 3,126,210.0
Other Governmental Agencies	101,945.0	-	-	101,945.0
Total Intergovenmental Revenues	$ 7,359,282.0	$ 62.0	$ 61,125.0	$ 7,420,469.0
Fines, Forfeitures and Penalties	$ 192,355.0	$ -	$ -	$ 192,355.0
Licenses, Permits and Franchises	55,694.0	-	-	55,694.0
Charges for Services	1,006,173.0	-	459,061.0	1,465,234.0
Other Taxes	187,657.0	-	-	187,657.0
Use of Money and Property	124,521.0	95.0	119.0	124,735.0
Miscellaneous Revenues	592,003.0	-	527,430.0	1,119,433.0
Operating Contribution from General Fund	-	-	531,513.0	531,513.0
Total Available Funds	$ 13,723,601.0	$ 10,290.0	$ 1,963,466.0	$ 15,697,357.0

(1) Reflects the Final Adopted 2005-06 General County Budget approved by the Board of Supervisors on September 20, 2005.

COUNTY OF LOS ANGELES
PROPOSED 2006-07 GENERAL COUNTY BUDGET [(1)]
Net Appropriation: By Fund and Function
(In thousands)

Function	General Fund	Debt Services Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS				
General				
General Government	$ 945,761.0	$ -	$ -	$ 945,761.0
General Services	219,297.0	-	-	219,297.0
Public Buildings	573,864.0	-	-	573,864.0
Total General	$ 1,738,922.0	$ -	$ -	$ 1,738,922.0
Public Protection				
Justice	$ 3,760,224.0	$ -	$ -	$ 3,760,224.0
Other Public Protection	125,099.0	-	-	125,099.0
Total Public Protection	$ 3,885,323.0	$ -	$ -	$ 3,885,323.0
Health and Sanitation	$ 3,022,965.0	$ -	$ 1,721,563.0	$ 4,744,528.0
Public Assistance	4,577,147.0	-	-	4,577,147.0
Recreation and Cultural Services	225,616.0	-	-	225,616.0
Insurance and Loss Reserve	73,897.0	-	-	73,897.0
Reserves/Designations	176,047.0	447.0	-	176,494.0
Debt Services	-	9,064.0	-	9,064.0
Appropriation for Contingency	32,116.0	-	-	32,116.0
Total Requirements	$ 13,732,033.0	$ 9,511.0	$ 1,721,563.0	$ 15,463,107.0
AVAILABLE FUNDS				
Property Taxes	$ 3,231,568.0	$ 5,815.0	$ -	$ 3,237,383.0
Fund Balance	621,755.0	2,674.0	-	624,429.0
Cancelled Prior-Year Reserves	231,663.0	747.0	151,033.0	383,443.0
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 509,881.0	$ -	$ -	$ 509,881.0
Homeowners' Exemption	20,500.0	75.0	-	20,575.0
Public Assistance Subventions	1,472,442.0	-	-	1,472,442.0
Other Public Assistance	538,181.0	-	-	538,181.0
Public Protection	848,130.0	-	-	848,130.0
Health and Mental Health	793,948.0	-	52,368.0	846,316.0
Capital Projects	68,584.0	-	-	68,584.0
Other State Revenues	37,881.0	-	-	37,881.0
Total State Revenues	$ 4,289,547.0	$ 75.0	$ 52,368.0	$ 4,341,990.0
Federal Revenues				
Public Assistance Subventions	$ 2,029,324.0	$ -	$ -	$ 2,029,324.0
Other Public Assistance	201,174.0	-	-	201,174.0
Public Protection	132,166.0	-	-	132,166.0
Health and Mental Health	564,034.0	-	2,723.0	566,757.0
Capital Projects	1,821.0	-	-	1,821.0
Other Federal Revenues	2,297.0	-	-	2,297.0
Total Federal Revenues	$ 2,930,816.0	$ -	$ 2,723.0	$ 2,933,539.0
Other Governmental Agencies	82,828.0	-	-	82,828.0
Total Intergovenmental Revenues	$ 7,303,191.0	$ 75.0	$ 55,091.0	$ 7,358,357.0
Fines, Forfeitures and Penalties	$ 195,662.0	$ -	$ -	$ 195,662.0
Licenses, Permits and Franchises	53,727.0	-	-	53,727.0
Charges for Services	1,154,278.0	-	328,324.0	1,482,602.0
Other Taxes	192,960.0	-	-	192,960.0
Use of Money and Property	127,903.0	200.0	112.0	128,215.0
Miscellaneous Revenues	619,326.0	-	295,768.0	915,094.0
Operating Contribution from General Fund	-	-	891,235.0	891,235.0
Total Available Funds	$ 13,732,033.0	$ 9,511.0	$ 1,721,563.0	$ 15,463,107.0

(1) Reflects the Proposed 2006-07 General County Budget approved by the Board of Supervisors on April 18, 2006

PROPERTY TAX RATE, VALUATION AND LEVY

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" , and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County of Los Angeles levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, and inflation) prorated among the jurisdictions which serve the tax areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

PAYMENT DATES AND LIENS

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10 respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on July 1. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

LARGEST TAXPAYERS

The twenty largest taxpayers in the County as shown on the Fiscal Year 2005-06 secured tax roll and the approximate amounts of their aggregate levies for all taxing jurisdictions within the County are shown below. Property owned by these twenty largest taxpayers had a full cash value of $27,399,151,817.

Taxpayer	Total Tax Levy 2005-06
Southern California Edison Co.	$41,436,322
BP Amoco Corporation	27,173,031
Douglas Emmett Realty Fund	26,883,932
Chevron USA Inc.	25,019,449
Maguire Thomas Partners	24,288,220
SBC California	21,698,801
Arden Realty LTD Partnership	18,916,898
Exxon Mobil Corporation	17,495,809
Southern California Gas Company	16,021,870
Verizon California Inc.	15,494,674
Conocophillips Company	14,109,823
Universal Studios Inc.	13,476,495
Equilon Enterprises LLC	10,203,194
Anheuser Busch Inc.	9,430,100
Macerich LLC	9,285,983
Valero Energy Corporation	8,976,855
Cingular Wireless LLC	6,514,153
One Hundred Towers LLC	6,304,438
AMB Institutional Alliance	6,085,412
Kilroy Realty LP	5,988,052

Source: Los Angeles County Treasurer and Tax Collector

PROPERTY TAXATION AND COLLECTIONS

The table on the following page compares the assessed cash values, property tax levies and collections since 2001-02. For the Fiscal Year 2005-06, collections as a percentage of property tax levies are estimated at 97.65%, which is consistent with data from prior years.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2001-02 THROUGH 2005-06

Fiscal Year	Full Cash Value (1)	General Fund Secured Property Tax Levies	General Fund Secured Property Tax Collections (2)	Current Collection As a Percent of Levies %
2001-02	$ 567,296,327,872	$ 1,409,964,224	$ 1,373,865,460	97.44%
2002-03	605,942,874,836	1,506,200,807	1,467,167,904	97.41%
2003-04	656,073,063,881	1,617,943,519	1,582,529,914	97.81%
2004-05	709,671,759,735	1,738,123,054	1,697,194,166	97.65%
2005-06	783,342,364,874	1,877,172,898 (3)	1,833,059,335 (3)	97.65% (3)

(1) Full cash values reflect the equalized assessment roll as reported in August of each year; mid-year adjustments are reflected in the following year's values. Incremental full cash values of properties within project areas designated by community redevelopment agencies are excluded. See "Redevelopment Agencies".
(2) Reflects collection within the fiscal year originally levied.
(3) Preliminary estimate. Subject to change.

Source: Los Angeles County Auditor-Controller, Tax Division

REDEVELOPMENT AGENCIES

The California Community Redevelopment Law authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in full cash values of properties within designated project areas. This allocation reduces the tax revenues the County and all other taxing agencies would otherwise receive.

The rate of growth in full cash values of these project areas, on an aggregate basis, is greater than the rate of growth in the balance of the County. Since these project areas are primarily in commercial and industrial areas, they have provided a significant impetus to the development and revitalization of the County's economic base. In addition, under State law, redevelopment projects must contribute a portion of the property tax funds they receive to increasing the availability of housing for families with low and moderate income.

The following table shows full cash value increments and total tax allocations to community redevelopment agencies for the Fiscal Years 2001-02 through 2005-06.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS
FISCAL YEARS 2001-02 THROUGH 2005-06

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2001-02	$ 61,568,656,691	$ 582,974,900
2002-03	67,790,492,894	638,253,845
2003-04	74,089,202,480	678,254,140
2004-05	79,019,105,066	801,448,742
2005-06	94,983,553,733	692,207,070 (3)

(1) Equals the full cash value for all redevelopment project areas above their base year valuations. This data represents growth in full cash values which generates tax revenues for use by community redevelopment agencies.
(2) Includes actual cash revenues collected by the County and subsequently paid to redevelopment agencies, which includes incremental growth allocation, debt service, mid year changes and Supplemental Roll.
(3) Tax allocation to CRA as of April 2006.

Source: Los Angeles County Auditor-Controller, Tax Division.

CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts from the two largest sources of County revenues have followed an uneven pattern, primarily as a result of secured property tax installment payment dates in December and April and delays in payments from other governmental agencies.

As a result, the General Fund cash balance prior to Fiscal Year 1977-78 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings.

"Intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury.

Because such General Fund interfund borrowings caused disruptions in the General Fund's management of pooled investments, beginning in 1977 the County has regulated its cash flow by issuing tax anticipation notes and tax and revenue anticipation notes for the General Fund and by using intrafund borrowing.

All notes issued in connection with the County's cash management program, with the exception of $500,000,000 in aggregate principal amount of 2005-06 Tax and Revenue Anticipation Notes (2005-06 Notes) which were issued on July 1, 2005 and are due June 30, 2006, have been repaid on their respective maturity dates.

2005-06 Tax and Revenue Anticipation Notes

Pursuant to California law and a resolution adopted by the Board of Supervisors on May 17, 2005, the $500.0 million in 2005-06 Notes are general obligations of the County attributable to the 2005-06 fiscal year and are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County.

The County pledged to deposit sufficient revenues during the 2005-06 fiscal year into a Repayment Fund to repay the 2005-06 Notes at maturity. Under the Resolution and Financing Certificate executed by the County Treasurer and Tax Collector, such deposits are to be made in accordance with the following schedule:

COUNTY OF LOS ANGELES
2005-06 TAX AND REVENUE ANTICIPATION NOTES
SCHEDULE OF DEPOSITS TO REPAYMENT FUND

Deposit Date	**Deposit Amount**
December, 2005	$174,000,000
January, 2006	90,000,000
February, 2006	57,000,000
March, 2006	61,000,000
April, 2006	137,944,444
Total	$519,944,444

The County has fully satisfied its deposit obligations. The following table illustrates the Unrestricted General Fund Receipts collected since Fiscal Year 2000-01.

COUNTY OF LOS ANGELES
GENERAL FUND
UNRESTRICTED GENERAL FUND RECEIPTS (in thousands)

	2000-01	2001-02	2002-03	2003-04	2004-05	Estimated 2005-06(1)
Property Taxes	$1,458,136.0	$1,552,293.0	$1,652,678.0	1,797,267.0	$2,599,369.0	$2,991,665.0
Other Taxes	133,614.0	140,125.0	158,010.0	178,277.0	181,614.0	204,000.0
Licenses, Permits and Franchises	44,623.0	47,521.0	57,727.0	56,164.0	56,801.0	56,000.0
Fines, Forfeitures and Penalties	170,147.0	190,916.0	193,734.0	200,901.0	214,316.0	220,000.0
Use of Money and Property	151,977.0	133,336.0	80,675.0	66,362.0	81,391.0	170,075.0
State In-Lieu Taxes	991,739.0	1,091,762.0	1,111,455.0	997,003.0	507,114.0	492,104.0
State Homeowner Exemptions	20,748.0	20,726.0	20,726.0	20,514.0	21,558.0	20,500.0
Charges for Current Services	983,160.0	1,009,844.0	1,192,279.0	1,245,540.0	1,243,492.0	1,084,265.2
Miscellaneous Revenues	189,806.0	213,105.0	227,380.0	190,564.0	245,851.0	229,439.0
TOTAL UNRESTRICTED RECEIPTS	$4,143,950.0	$4,399,628.0	$4,694,664.0	4,752,592.0	$5,151,506.0	$5,468,048.2

Detail may not add due to rounding.
(1) Forecast based on actual receipts through April 2006.
Source: Los Angeles County Auditor-Controller.

Intrafund and Interfund Borrowing

To the extent necessary, the General Fund intends to use intrafund (and not interfund) borrowing to cover General Fund cash needs, including projected year-end cash requirements. Should the County find it necessary to resort to interfund borrowing, then such borrowing may not occur after the last Monday in April of each year and must be repaid before any other obligation of the County.

The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1977-78.

Funds Available for Intrafund Borrowing

After the TRANS proceeds are utilized, the General Fund borrows from three fund groups to meet its cash flow needs. The most significant group is the Property Tax Group which consists of collected taxes that are awaiting apportionment to various agencies. The great majority of these amounts will be distributed to other agencies.

The second most significant borrowing source includes the various trust groups and other funds. The largest fund in this group is the Departmental Trust Fund which consists of various collections, such as court fines and other revenues, awaiting distribution. The majority of these funds will eventually be distributed to entities other than the County. Also in this group is the Payroll Revolving Fund which consists of payroll charged to the various County Funds awaiting distribution to employees and other agencies.

The last fund group includes the Hospital Enterprise funds. The balances in these funds generally represent working capital advances from the General Fund and hospital generated cash. At year-end, remaining balances are transferred back to the General Fund.

It must be noted that the average daily balances shown for these sources are not necessarily indicative of the balances on any given day. The balances in certain funds, such as those in the tax group, can fluctuate greatly during the month. Likewise, the General Fund cash balance fluctuates during the month with the third week being the lowest and month-end the highest due to the timing of State receipts and receipt of welfare advances on the last day of the month. The tables on the following four pages indicate the average daily balances in each of the funds available for intrafund borrowing.

General Fund Cash Flow Statements

The final 2004-05 General Fund cash flow statement has been included as well as the General Fund Cash Flow for 2005-06 with actuals through April 2006. Please note that the County is forecasting an ending balance of $960.9 million for the Fiscal Year 2005-06. These statements are shown on the pages immediately following the average daily balance tables.

COUNTY OF LOS ANGELES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2004-05: 12 MONTHS ACTUALS
2005-06: 10 MONTHS ACTUALS

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2004-05
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	201,825.0	159,055.0	135,826.0	356,547.0	1,013,301.0	1,084,250.0
Auditor Unapportioned Money	89,078.0	143,957.0	69,331.0	156,104.0	415,878.0	863,777.0
Unsecured Property Tax Fund	136,046.0	41,157.0	159,703.0	117,997.0	86,056.0	53,427.0
Miscellaneous Fees & Taxes	5,069.0	4,955.0	6,831.0	23,032.0	25,671.0	16,545.0
State Redemption Fund - TTC	53,377.0	64,130.0	65,024.0	60,999.0	53,961.0	48,812.0
Educ Rev Augmentation Fund	1,628.0	15,150.0	(55.0)	1,908.0	11,457.0	192,360.0
State Reimbursement Fund	0.0	0.0	0.0	0.0	0.0	8,818.0
Sales Tax Replacement Fund	0.0	0.0	0.0	0.0	0.0	17,556.0
VLF Replacement Fund	0.0	0.0	0.0	0.0	0.0	76,328.0
Rebate Fund	(1,384.0)	(6,970.0)	(15,609.0)	(9,696.0)	(17,391.0)	(15,131.0)
Subtotal	485,639.0	421,434.0	421,051.0	706,891.0	1,588,933.0	2,346,742.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	364,699.0	375,529.0	393,352.0	395,636.0	395,873.0	384,106.0
Payroll Revolving Fund	0.0	111,672.0	96,724.0	93,622.0	98,803.0	94,618.0
Productivity Investment Fund	5,374.0	5,018.0	5,023.0	4,989.0	4,919.0	4,844.0
ACO Fund-Motor Vehicle/ISD	1,193.0	1,187.0	1,187.0	1,268.0	1,263.0	1,247.0
Civic Center Parking	140.0	252.0	120.0	83.0	110.0	83.0
Reporters Salary Fund	687.0	(53.0)	(367.0)	553.0	664.0	306.0
Cable TV Franchise Fund	3,563.0	3,586.0	3,719.0	3,790.0	3,799.0	3,952.0
Megaflex-Various	19,317.0	19,463.0	19,520.0	19,553.0	19,626.0	19,620.0
Subtotal	394,973.0	516,654.0	519,278.0	519,494.0	525,057.0	508,776.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	6,648.0	5,716.0	2,976.0	289.0	1,028.0	(701.0)
Olive View Medical Center	3,421.0	(121.0)	577.0	99.0	(897.0)	(1,479.0)
LAC+USC Medical Center	804.0	17,628.0	1,125.0	(8,332.0)	(2,633.0)	1,425.0
Martin Luther King Jr., Hospital	2,146.0	2,977.0	551.0	1,563.0	(841.0)	(858.0)
High Desert Hospital	82.0	(150.0)	104.0	368.0	69.0	(134.0)
South/West Network Hospital	415.0	987.0	544.0	676.0	940.0	922.0
ACO-LAC+USC Med Equip Fund	106,050.0	106,130.0	106,285.0	106,418.0	106,555.0	106,735.0
Subtotal	119,566.0	133,167.0	112,162.0	101,081.0	104,221.0	105,910.0
GRAND TOTAL	**1,000,178.0**	**1,071,255.0**	**1,052,491.0**	**1,327,466.0**	**2,218,211.0**	**2,961,428.0**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	
						PROPERTY TAX GROUP
837,194.0	623,376.0	509,238.0	1,083,600.0	478,196.0	181,743.0	**Tax Collector's Trust Fund**
362,212.0	281,352.0	376,677.0	518,600.0	554,197.0	206,289.0	**Auditor Unapportioned Money**
61,931.0	71,180.0	50,097.0	49,309.0	66,415.0	89,127.0	**Unsecured Property Tax Fund**
7,844.0	7,515.0	7,090.0	6,174.0	6,046.0	6,498.0	**Miscellaneous Fees & Taxes**
42,291.0	53,145.0	45,276.0	42,805.0	32,174.0	28,605.0	**State Redemption Fund - TTC**
56,856.0	30,022.0	1,429.0	98,374.0	38,406.0	1,989.0	**Educ Rev Augmentation Fund**
18,881.0	1,432.0	1,432.0	3,628.0	22,463.0	10,100.0	**State Reimbursement Fund**
83,393.0	29,133.0	46,667.0	66,515.0	85,989.0	0.0	**Sales Tax Replacement Fund**
362,559.0	126,657.0	202,888.0	289,168.0	373,808.0	0.0	**VLF Replacement Fund**
(22,502.0)	(13,343.0)	(12,413.0)	(16,141.0)	(18,512.0)	(19,615.0)	**Rebate Fund**
1,810,659.0	1,210,469.0	1,228,381.0	2,142,032.0	1,639,182.0	504,736.0	**Subtotal**
						VARIOUS TRUST GROUP
375,512.0	342,184.0	354,304.0	379,494.0	376,861.0	393,324.0	**Departmental Trust Fund**
101,336.0	88,865.0	93,373.0	109,382.0	123,570.0	119,859.0	**Payroll Revolving Fund**
4,701.0	4,557.0	4,704.0	4,667.0	4,266.0	4,185.0	**Productivity Investment Fund**
1,246.0	1,234.0	1,181.0	1,196.0	1,177.0	1,289.0	**ACO Fund-Motor Vehicle/ISD**
140.0	155.0	193.0	99.0	221.0	109.0	**Civic Center Parking**
516.0	895.0	325.0	436.0	323.0	141.0	**Reporters Salary Fund**
3,967.0	4,123.0	4,357.0	4,469.0	4,602.0	4,409.0	**Cable TV Franchise Fund**
19,729.0	19,869.0	20,095.0	20,277.0	20,502.0	20,580.0	**Megaflex-Various**
507,147.0	461,882.0	478,532.0	520,020.0	531,522.0	543,896.0	**Subtotal**
						HOSPITAL GROUP
354.0	769.0	(1,200.0)	442.0	202.0	2,854.0	**Harbor/UCLA Medical Center**
(309.0)	(71.0)	(2,959.0)	92.0	958.0	2,134.0	**Olive View Medical Center**
4,708.0	255.0	2,295.0	(880.0)	2,889.0	3,390.0	**LAC + USC Medical Center**
(104.0)	(337.0)	1,001.0	(913.0)	1,019.0	1,538.0	**Martin Luther King Jr., Hospital**
(263.0)	(405.0)	432.0	433.0	530.0	155.0	**High Desert Hospital**
(687.0)	(826.0)	1,159.0	496.0	828.0	587.0	**South/West Network Hospital**
106,859.0	107,049.0	107,260.0	107,517.0	107,751.0	108,015.0	**ACO-LAC+USC Med Equip Fund**
110,558.0	106,434.0	107,988.0	107,187.0	114,177.0	118,673.0	**Subtotal**
2,428,364.0	**1,778,785.0**	**1,814,901.0**	**2,769,239.0**	**2,284,881.0**	**1,167,305.0**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
AVERAGE DAILY BALANCES: 2005-06
FUNDS AVAILABLE FOR INTRAFUND BORROWING (in thousands of $)

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	209,369.0	81,907.0	76,591.0	260,534.0	1,284,577.0	1,998,559.0
Auditor Unapportioned Money	128,769.0	203,040.0	143,140.0	258,544.0	188,546.0	359,030.0
Unsecured Property Tax Fund	133,332.0	11,382.0	155,784.0	127,718.0	84,958.0	92,034.0
Miscellaneous Fees & Taxes	5,932.0	13,423.0	33,844.0	37,796.0	37,817.0	40,155.0
State Redemption Fund - TTC	47,858.0	72,021.0	72,442.0	53,189.0	58,985.0	61,842.0
Educ Rev Augmentation Fund	1,225.0	31,458.0	(32.0)	1,787.0	8,170.0	233,069.0
State Reimbursement Fund	0.0	0.0	0.0	0.0	467.0	10,867.0
Sales Tax Replacement Fund	0.0	0.0	0.0	0.0	0.0	14,202.0
VLF Replacement Fund	0.0	0.0	0.0	0.0	0.0	61,746.0
Rebate Fund	(9,867.0)	(13,503.0)	(27,902.0)	(41,847.0)	(46,784.0)	(41,723.0)
Subtotal	516,618.0	399,728.0	453,867.0	697,721.0	1,616,736.0	2,829,781.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	431,266.0	472,507.0	478,015.0	512,617.0	544,043.0	547,069.0
Payroll Revolving Fund	96,747.0	98,107.0	99,830.0	60,223.0	99,666.0	97,975.0
Productivity Investment Fund	6,917.0	7,937.0	7,856.0	8,381.0	10,804.0	10,755.0
ACO Fund-Motor Vehicle/ISD	2,910.0	2,914.0	2,878.0	2,876.0	2,957.0	2,957.0
Civic Center Parking	(36.0)	(89.0)	90.0	221.0	107.0	50.0
Reporters Salary Fund	677.0	606.0	527.0	239.0	908.0	995.0
Cable TV Franchise Fund	4,304.0	4,386.0	4,380.0	4,464.0	4,629.0	4,649.0
Megaflex-Various	20,729.0	20,897.0	20,993.0	21,172.0	21,279.0	21,487.0
Subtotal	563,514.0	607,265.0	614,569.0	610,193.0	684,393.0	685,937.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	2,143.0	13,856.0	1,677.0	1,095.0	3,310.0	3,249.0
Olive View Medical Center	1,780.0	13,651.0	4,747.0	1,167.0	5,419.0	1,514.0
LAC+USC Medical Center	(3,258.0)	10,936.0	(3,757.0)	(2,117.0)	3,520.0	(497.0)
Martin Luther King Jr., Hospital	478.0	5,086.0	518.0	(216.0)	64.0	5,302.0
High Desert Hospital	(1,888.0)	(5,420.0)	(7,449.0)	(7,449.0)	(3,725.0)	0.0
South/West Network Hospital	964.0	3,267.0	1,370.0	240.0	1,736.0	1,178.0
ACO-LAC+USC Med Equip Fund	108,325.0	108,550.0	108,781.0	109,069.0	109,382.0	109,727.0
Subtotal	108,544.0	149,926.0	105,887.0	101,789.0	119,706.0	120,473.0
GRAND TOTAL	**1,188,676.0**	**1,156,919.0**	**1,174,323.0**	**1,409,703.0**	**2,420,835.0**	**3,636,191.0**

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

	January 2006	February 2006	March 2006	April 2006	Estimated May 2006	Estimated June 2006
PROPERTY TAX GROUP						
Tax Collector's Trust Fund	1,137,711.0	612,806.0	533,173.0	1,451,715.0	437,593.0	198,041.0
Auditor Unapportioned Money	365,943.0	359,992.0	389,101.0	644,461.0	507,140.0	224,789.0
Unsecured Property Tax Fund	97,815.0	76,754.0	53,910.0	49,749.0	60,776.0	97,120.0
Miscellaneous Fees & Taxes	41,444.0	26,660.0	6,483.0	5,868.0	5,533.0	7,081.0
State Redemption Fund - TTC	39,543.0	43,719.0	34,752.0	31,619.0	29,442.0	31,170.0
Educ Rev Augmentation Fund	18,837.0	64,914.0	547.0	230,566.0	35,145.0	2,167.0
State Reimbursement Fund	20,879.0	1,478.0	1,478.0	4,747.0	20,556.0	11,006.0
Sales Tax Replacement Fund	92,415.0	10,610.0	25,084.0	24,782.0	78,688.0	0.0
VLF Replacement Fund	391,055.0	24,222.0	136,397.0	141,476.0	342,068.0	0.0
Rebate Fund	(37,139.0)	(9,796.0)	(10,296.0)	(16,363.0)	(16,940.0)	(21,374.0)
Subtotal	2,168,503.0	1,211,359.0	1,170,629.0	2,568,620.0	1,500,000.0	550,000.0
VARIOUS TRUST GROUP						
Departmental Trust Fund	544,545.0	533,125.0	531,456.0	499,131.0	389,962.0	397,738.0
Payroll Revolving Fund	115,969.0	97,607.0	99,134.0	102,497.0	127,866.0	121,204.0
Productivity Investment Fund	10,427.0	10,247.0	10,204.0	10,019.0	4,414.0	4,232.0
ACO Fund-Motor Vehicle/ISD	2,999.0	3,057.0	3,057.0	2,415.0	1,218.0	1,303.0
Civic Center Parking	184.0	220.0	182.0	543.0	229.0	110.0
Reporters Salary Fund	628.0	766.0	861.0	698.0	334.0	143.0
Cable TV Franchise Fund	4,645.0	4,596.0	4,787.0	5,013.0	4,762.0	4,458.0
Megaflex-Various	21,877.0	22,246.0	22,622.0	22,932.0	21,216.0	20,811.0
Subtotal	701,274.0	671,864.0	672,303.0	643,248.0	550,000.0	550,000.0
HOSPITAL GROUP						
Harbor/UCLA Medical Center	487.0	(660.0)	(781.0)	1,079.0	2,000.0	
Olive View Medical Center	953.0	2,182.0	(4,530.0)	(107.0)	2,000.0	
LAC + USC Medical Center	(3,634.0)	5,488.0	2,737.0	(470.0)	3,000.0	
Martin Luther King Jr., Hospital	(88.0)	(680.0)	(920.0)	1,081.0	1,000.0	
High Desert Hospital	0.0	0.0	0.0	0.0	0.0	
South/West Network Hospital	380.0	(3,655.0)	383.0	1,367.0	1,000.0	
ACO-LAC+USC Med Equip Fund	110,077.0	110,352.0	110,701.0	111,091.0	111,500.0	112,000.0
Subtotal	108,175.0	113,027.0	107,590.0	114,041.0	120,500.0	112,000.0
GRAND TOTAL	**2,977,952.0**	**1,996,250.0**	**1,950,522.0**	**3,325,909.0**	**2,170,500.0**	**1,212,000.0**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2004-05: 12 MONTHS ACTUALS
2005-06: 10 MONTHS ACTUALS

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2004-05
(in thousands of $)

	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004
BEGINNING BALANCE	986,202.0	1,495,033.0	1,033,691.0	720,170.0	436,387.0	184,646.0
RECEIPTS						
PROPERTY TAXES	26,434.0	85,505.0	(526.0)	5,910.0	30,723.0	652,043.0
Sales and Other Taxes	13,877.0	7,633.0	21,182.0	15,299.0	14,892.0	9,596.0
Licenses, Permits & Franchises	3,942.0	3,492.0	7,169.0	2,680.0	1,554.0	3,453.0
Fines, Forfeitures & Penalties	23,766.0	22,032.0	10,942.0	15,573.0	19,205.0	12,154.0
Use of Money & Property	10,860.0	3,332.0	5,004.0	2,803.0	5,656.0	4,812.0
Intergovernmental Revenue	400,742.0	150,259.0	213,701.0	267,151.0	349,963.0	250,804.0
Charges for Current Services	134,359.0	65,155.0	71,176.0	75,429.0	82,862.0	135,683.0
Other Revenue	68,774.0	9,795.0	10,736.0	7,228.0	7,883.0	3,852.0
Expenditure Transfers and Reimbursements	36,076.0	1,744.0	58,012.0	11,501.0	20,530.0	929,718.0
Welfare Advances	275,334.0	262,512.0	242,262.0	494,366.0	255,384.0	348,945.0
Other Receipts	43,583.0	9,110.0	26,290.0	8,795.0	9,378.0	2,334.0
Intrafund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	600,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	1,637,747.0	620,569.0	665,948.0	906,735.0	798,030.0	2,353,394.0
DISBURSEMENTS						
Welfare Warrants	198,983.0	140,204.0	172,229.0	166,570.0	165,918.0	236,521.0
Salaries & Employee Benefits	432,942.0	546,153.0	403,601.0	380,562.0	401,826.0	390,708.0
Services & Supplies and Fixed Assets	352,926.0	267,359.0	285,703.0	236,074.0	316,782.0	251,255.0
Interfund Billings	144,065.0	128,195.0	117,936.0	407,312.0	165,245.0	619,418.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	209,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment		0.0	0.0	0.0	0.0	0.0
Total Disbursements	1,128,916.0	1,081,911.0	979,469.0	1,190,518.0	1,049,771.0	1,706,902.0
ENDING BALANCE	1,495,033.0	1,033,691.0	720,170.0	436,387.0	184,646.0	831,138.0
TRANS Repayment Fund						
Beginning Balance	0.0	0.0	0.0	0.0	0.0	0.0
Receipts	0.0	0.0	0.0	0.0	0.0	209,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	0.0	0.0	0.0	0.0	0.0	209,000.0

*Detail may not add due to rounding.

January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	Total 2004 -05
831,138.0	1,083,012.0	861,378.0	284,599.0	412,913.0	1,056,905.0	
574,491.0	138,650.0	32,364.0	466,998.0	572,037.0	14,740.0	2,599,369.0
21,433.0	16,494.0	15,030.0	8,958.0	18,540.0	18,680.0	181,614.0
3,643.0	9,237.0	4,987.0	10,303.0	2,381.0	3,960.0	56,801.0
12,171.0	19,685.0	15,658.0	15,972.0	32,784.0	14,374.0	214,316.0
5,159.0	7,448.0	7,838.0	9,624.0	7,950.0	10,905.0	81,391.0
295,864.0	263,383.0	198,456.0	210,863.0	266,902.0	290,839.0	3,158,927.0
61,420.0	91,003.0	137,186.0	149,945.0	97,591.0	141,683.0	1,243,492.0
4,304.0	5,452.0	3,843.0	106,095.0	3,489.0	14,400.0	245,851.0
42,028.0	47,252.0	11,864.0	318,097.0	584,676.0	384,788.0	2,446,286.0
317,700.0	270,393.0	329,078.0	289,761.0	259,466.0	280,877.0	3,626,078.0
32,261.0	4,497.0	11,485.0	8,004.0	1,979.0	11,680.0	169,396.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	600,000.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
1,370,474.0	873,494.0	767,789.0	1,594,620.0	1,847,795.0	1,804,876.0	15,241,471.0
100,592.0	167,287.0	170,670.0	203,577.0	135,535.0	166,862.0	2,024,948.0
411,809.0	418,431.0	394,703.0	428,085.0	371,413.0	369,124.0	4,949,357.0
241,143.0	281,187.0	273,042.0	219,184.0	242,701.0	259,778.0	3,227,134.0
256,056.0	160,223.0	433,153.0	456,510.0	454,154.0	206,914.0	3,549,181.0
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
1,118,600.0	1,095,128.0	1,344,568.0	1,466,306.0	1,203,803.0	1,620,628.0	14,986,520.0
1,083,012.0	861,378.0	284,599.0	412,913.0	1,056,905.0	1,241,153.0	
209,000.0	318,000.0	386,000.0	459,000.0	617,950.0	617,950.0	0.0
109,000.0	68,000.0	73,000.0	158,950.0	0.0	0.0	617,950.0
0.0	0.0	0.0	0.0	0.0	617,950.0	617,950.0
318,000.0	386,000.0	459,000.0	617,950.0	617,950.0	0.0	0.0

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2005-06
(in thousands of $)

	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005
BEGINNING BALANCE	1,241,153.0	1,261,166.0	1,032,306.0	763,434.0	340,692.0	(94,322.0)
RECEIPTS						
PROPERTY TAXES	52,225.0	79,621.0	(19.0)	5,763.0	40,201.0	718,159.0
Sales and Other Taxes	13,068.0	23,525.0	16,732.0	19,960.0	16,103.0	13,573.0
Licenses, Permits & Franchises	2,862.0	11,348.0	615.0	2,403.0	1,510.0	2,719.0
Fines, Forfeitures & Penalties	27,414.0	21,724.0	15,135.0	13,221.0	19,338.0	12,586.0
Use of Money & Property	22,746.0	9,581.0	11,104.0	15,831.0	10,885.0	13,088.0
Intergovernmental Revenue	301,715.0	165,935.0	260,081.0	261,839.0	184,223.0	283,070.0
Charges for Current Services	107,406.0	99,224.0	63,743.0	49,284.0	41,810.0	119,916.0
Other Revenue	3,870.0	34,970.0	12,346.0	12,697.0	8,049.0	9,151.0
Expenditure Transfers and Reimbursements	30,889.0	207.0	61,951.0	0.0	38,466.0	19,797.0
Welfare Advances	392,874.0	217,790.0	321,969.0	338,682.0	237,563.0	247,934.0
Other Receipts	42,202.0	31,065.0	2,930.0	2,700.0	1,143.0	1,554.0
Intrafund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
TRANs Sold	500,000.0	0.0	0.0	0.0	0.0	0.0
TRANs Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	1,497,271.0	694,990.0	766,587.0	722,380.0	599,291.0	1,441,547.0
DISBURSEMENTS						
Welfare Warrants	268,705.0	181,077.0	218,488.0	230,363.0	189,683.0	209,461.0
Salaries & Employee Benefits	732,326.0	422,115.0	412,974.0	303,452.0	431,301.0	417,817.0
Services & Supplies and Fixed Assets	246,833.0	194,716.0	240,977.0	329,967.0	266,866.0	254,192.0
Interfund Billings	229,394.0	125,942.0	163,020.0	281,340.0	146,455.0	117,657.0
TRANs Pledge Transfer	0.0	0.0	0.0	0.0	0.0	174,000.0
TRANs Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Intrafund Transfer Repayment	0.0	0.0	0.0	0.0	0.0	0.0
Total Disbursements	1,477,258.0	923,850.0	1,035,459.0	1,145,122.0	1,034,305.0	1,173,127.0
ENDING BALANCE	1,261,166.0	1,032,306.0	763,434.0	340,692.0	(94,322.0)	174,098.0
TRANS Repayment Fund						
Beginning Balance	0.0	0.0	0.0	0.0	0.0	0.0
Receipts	0.0	0.0	0.0	0.0	0.0	174,000.0
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0
Ending Balance	0.0	0.0	0.0	0.0	0.0	174,000.0

*Detail may not add due to rounding.

January 2006	February 2006	March 2006	April 2006	Estimated May 2006	Estimated June 2006	Total 2005 -06
174,098.0	559,038.0	471,091.0	380,571.0	498,427.0	672,528.6	
685,338.0	183,576.0	18,383.0	521,643.0	684,553.0	2,222.0	2,991,665.0
17,244.0	23,755.0	17,204.0	17,421.0	14,064.6	11,350.4	204,000.0
3,419.0	12,029.0	2,999.0	9,154.0	3,708.8	3,233.2	56,000.0
12,575.0	23,281.0	16,008.0	19,314.0	29,752.9	9,651.1	220,000.0
14,661.0	14,537.0	17,980.0	14,922.0	8,167.0	16,573.0	170,075.0
264,424.0	353,639.0	247,040.0	231,895.0	255,370.4	212,466.6	3,021,698.0
139,889.0	72,756.0	177,675.0	86,120.0	94,685.0	31,757.2	1,084,265.2
8,210.0	10,895.0	14,067.0	112,598.0	1,315.7	1,270.3	229,439.0
15,561.0	84,505.0	219,749.0	6,894.0	11,381.9	740,328.2	1,229,729.1
350,326.0	249,872.0	366,012.0	341,651.0	242,057.8	240,269.2	3,547,000.0
11,254.0	18,919.0	6,237.0	4,738.0	9,511.8	7,746.2	140,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	500,000.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
1,522,901.0	1,047,764.0	1,103,354.0	1,366,350.0	1,354,568.8	1,796,811.5	13,913,815.3
169,398.0	219,470.0	219,407.0	216,763.0	182,815.1	264,369.9	2,570,000.0
446,709.0	466,691.0	423,698.0	465,380.0	434,143.0	410,294.0	5,366,900.0
209,051.0	240,196.0	258,733.0	230,038.0	225,047.5	253,383.5	2,950,000.0
222,803.0	152,354.0	231,036.0	198,369.0	338,461.6	60,458.4	2,267,290.0
90,000.0	57,000.0	61,000.0	137,944.0	0.0	0.0	519,944.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
1,137,961.0	1,135,711.0	1,193,874.0	1,248,494.0	1,180,467.2	1,508,449.8	14,194,078.0
559,038.0	471,091.0	380,571.0	498,427.0	672,528.6	960,890.3	
174,000.0	264,000.0	321,000.0	382,000.0	519,944.0	519,944.0	0.0
90,000.0	57,000.0	61,000.0	137,944.0	0.0	0.0	519,944.0
0.0	0.0	0.0	0.0	0.0	519,944.0	519,944.0
264,000.0	321,000.0	382,000.0	519,944.0	519,944.0	0.0	0.0

LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of April 30, 2006, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in Billions)
County of Los Angeles and Special Districts	$ 7.961
Schools and Community Colleges	9.330
Independent Public Agencies	1.253
Total	$18.544

Of these entities, the involuntary participants accounted for approximately 93.24%, and all discretionary participants accounted for 6.76% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on April 4, 2006, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated May 24, 2006, the April 30, 2006 book value of the Treasury Pool was approximately $18.544 billion and the corresponding market value was approximately $18.520 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also review each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliation on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The Treasury Pool is highly liquid. As of April 30, 2006, approximately 46.57% of the investments mature within 60 days, with an average of 184.64 days to maturity for the entire portfolio. The following table identifies the types of securities held by the Treasury Pool as of April 30, 2006:

Type of Investment	% of Pool
U.S. Government and Agency Obligations	42.24
Certificates of Deposit	23.08
Commercial Paper	29.57
Bankers Acceptances	0.00
Municipal Obligations	0.24
Corporate Notes & Deposit Notes	4.84
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.03

Pursuant to Section 27131 of the Government Code, all counties investing surplus funds are encouraged to establish a county treasury oversight committee. On January 16, 1996, the Board of Supervisors approved the establishment of the County Treasury Oversight Committee and subsequently confirmed the five Committee members nominated by the Treasurer in accordance with that Section. The Committee meets quarterly to review and monitor for compliance the investment policies prepared by the Treasurer.

FINANCIAL STATEMENTS-GAAP BASIS

Since Fiscal Year 1980-81, the County has prepared its general purpose financial statements in conformity with generally accepted accounting principles (GAAP) for State and local governments and they have been audited by independent certified public accountants.

The basic financial statements for the fiscal year ended June 30, 2005, and the unqualified opinion of KPMG LLP are attached hereto as Appendix B. The County's Comprehensive Annual Financial Reports (CAFRs) since the fiscal year ended June 30, 1982 have received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

Fiscal Year 2004-05 is the fourth year that the County has applied Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain reclassifications and adjustments have been made to the prior year balances to conform to the current year's presentation format.

The County's budget is prepared in accordance with the County Budget Act prior to the issuance of GAAP financial statements. The 2005-06 County Budget has been adopted and included an available (unreserved and undesignated) fund balance of $908,610,000 as of June 30, 2005 for the General Fund.

The amounts presented for the General Fund in accordance with GAAP are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- General Fund obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one

- year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the GAAP basis, revenues are not recognized until the qualifying expenditures are incurred.

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the GAAP basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the GAAP basis, the effects of such fair value changes have been recognized.

- In conjunction with the sale of pension obligation bonds in 1994-1995, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-1995 revenues. Under the GAAP basis, the proceeds were recorded as deferred revenue and are being amortized over the life of the bonds.

The following table provides a reconciliation of the General Fund's June 30, 2005 fund balance (unreserved and undesignated) on a budgetary and GAAP basis.

The tables on the following pages summarize the audited balance sheet for the General Fund since 1990-00 and provide a history of revenue and expenditure statement for the General Fund over the same period.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2005 (in thousands of $)

Actual Available (Unreserved and Undesignated) Fund Balance - Budgetary Basis	$908,610
Adjustments:	
Reversal of budgetary liabilities for litigation and self-insurance claims which are not required by GAAP	103,286
Reversal of liabilities for accrued vacation and sick leave, which are not required by GAAP	38,270
Change in revenue accruals related to encumbrances	(40,977)
Deferral of property tax receivables	(77,023)
Deferral of unearned investment income	(20,056)
Change in fair value of Investments	(3,034)
Available (Unreserved and Undesignated) Fund Balance - GAAP Basis	$909,076

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES
BALANCE SHEET AT JUNE 30, 2001, 2002, 2003, 2004, and 2005.
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2001	June 30, 2002		June 30, 2003	June 30, 2004	June 30, 2005
ASSETS						
Pooled Cash and Investments	769,856	1,531,721		1,566,544	1,767,764	2,134,177
Other Investments	8,330	7,954		7,490	7,116	6,594
Taxes Receivable	151,006	158,447		165,472	169,996	196,885
Other Receivables	951,663	944,358		922,382	979,784	1,093,268
Due from Other Funds	795,423	266,588		447,456	454,899	556,210
Advances to Other Funds	82,174	33,139		304,528	272,228	445,337
Inventories	33,606	36,740		33,230	29,843	39,713
Total Assets	2,792,058	2,978,947		3,447,102	3,681,630	4,472,184
LIABILITIES						
Accounts Payable	274,050	304,943		304,857	238,415	241,753
Accrued Payroll	283,457	300,728		310,698	314,676	328,578
Other Payables	56,343	194,405		188,952	218,132	62,092
Accrued Vacation and Sick Leave	33,193	0	(1)	0	0	0
Due to Other Funds	616,742	283,710		524,204	615,635	1,001,456
Deferred Revenue	121,077	251,541		231,357	216,796	259,897
Advances Payable	0	105,629		162,673	167,613	235,029
Workers' Compensation Liability	175,559	0	(1)	0	0	0
Estimated Liability for Litigation and Self-Insurance Claims	63,944	0	(1)	0	0	0
Estimated Liability to Third-Party Payors	41,609	25,637		26,631	22,636	16,650
Total Liabilities	1,665,974	1,466,593		1,749,372	1,793,903	2,145,455
EQUITY						
Fund Balance (Deficit)						
Reserved	329,926	358,765		382,758	350,565	400,627
Unreserved						
Designated	529,748	595,040		668,807	659,006	1,017,026
Undesignated	266,410	558,549		646,165	878,156	909,076
Total Unreserved	796,158	1,153,589		1,314,972	1,537,162	1,926,102
Total Equity	1,126,084	1,512,354		1,697,730	1,887,727	2,326,729
Total Liabilities and Equity	2,792,058	2,978,947		3,447,102	3,681,630	4,472,184

(1) Effective 2001-02, certain liabilities are no longer recognized in the County's General Fund financial statements per GASB Interpretation No. 6.

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 1999, 2000, 2001, 2002 and 2003.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2000-01 THROUGH 2004-05 (in thousands of $)

	2000-01	2001-02		2002-03	2003-04	2004-05
REVENUES:						
Taxes	1,597,329	1,708,877		1,813,882	1,987,861	2,816,095
Licenses, Permits & Franchises	44,901	45,876		53,915	57,236	58,422
Fines, Forfeitures and Penalties	179,879	192,427		189,982	202,648	220,622
Use of Money and Property	163,206	109,658		77,518	62,919	103,863
Aid from Other Government	6,676,074	7,149,587		7,268,697	7,218,003	6,818,550
Charges for Services	1,056,990	1,174,812		1,206,260	1,221,951	1,272,536
Miscellaneous Revenues	197,491	232,164		233,379	255,183	207,201
TOTAL	9,915,870	10,613,401		10,843,633	11,005,801	11,497,289
EXPENDITURES						
General	618,536	565,562		633,292	657,184	634,113
Public Protection	2,870,654	3,006,920		2,956,753	3,095,417	3,239,152
Health and Sanitation	2,408,584	1,682,256		1,743,716	1,813,290	1,844,546
Public Assistance	3,945,986	4,228,408		4,328,436	4,203,618	4,257,038
Recreation and Cultural Services	146,340	154,485		162,201	170,171	172,338
Debt Service	38,885	220,540		234,982	239,648	256,826
Capital Outlay	0	47,568		21,480	28,312	7,329
Total	10,028,985	9,905,739		10,080,860	10,207,640	10,411,342
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,115)	707,662		762,773	798,161	1,085,947
OTHER FINANCING SOURCES (USES):						
Operating Transfers from (to) Other Funds-Net	330,404	(586,682)		(600,548)	(639,110)	(657,058)
Sales of Capital Assets	2,206	1,347		1,671	2,634	2,784
Capital Leases	0	47,568		21,480	28,312	7,329
OTHER FINANCING SOURCES (USES)-Net	332,610	(537,767)		(577,397)	(608,164)	(646,945)
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	219,495	169,895		185,376	189,997	439,002
Beginning Fund Balance	906,821	1,342,459	(1)	1,512,354	1,697,730	1,887,727
Residual Equity Transfers from (to) Other Funds-Net	(232)	0		0	0	0
Ending Fund Balance	1,126,084	1,512,354		1,697,730	1,887,727	2,326,729

(1) Beginning Fund Balance was restated in 2001-02 from amount previously reported due to implementation of GASB Statement No. 34

Source: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2001, 2002, 2003, 2004 and 2005.

DEBT SUMMARY

INTRODUCTION

The County has issued various types of notes, bonds, and certificates to finance and refinance its cash management requirements, the replacement of essential equipment, and the acquisition, construction and/or improvement of governmental buildings and public facilities.

OUTSTANDING OBLIGATIONS

As of July 1, 2005, approximately $2.4 billion in intermediate and long-term obligations were outstanding. The General Fund is responsible for $0.8 billion of the outstanding debt. Voter approved ad valorem taxes secured $16.2 million in general obligation bonds. State and federal subventions secured $284.1 million in outstanding obligations. Revenues from special districts, special funds, enterprise funds, and trust funds secured the remaining $1.3 billion in outstanding obligations.

Of the $588.9 million in payments due in 2005-06 for obligations outstanding as of July 1, 2005, only $185.7 million are funded by the General Fund. The table below identifies the funding sources for the debt payments due in 2005-06.

COUNTY OF LOS ANGELES
ADDITIONAL FUNDING SOURCES FOR REPAYMENT OF COUNTY INTERMEDIATE AND LONG-TERM OBLIGATIONS

2005-06 Payments (As of July 1, 2005)

Funding Source	2005-06 Payment
Total 2005-06 Payment Obligation	$588,916,661
Less: Sources of Non-General Fund Entities:	
General Obligation Bond Taxes:	9,086,144
Hospital Enterprise Fund	151,791,549
Courthouse Construction Funds	34,575,625
Special Districts/Special Funds	92,847,554
Trial Court Trust Fund	18,344,857
Private Entities/Endowments	0
State & Federal Subventions	96,545,061
Net 2005-06 General Fund Obligation	$185,725,872

Source: Los Angeles County Chief Administrative Office

The County's outstanding General County intermediate and long-term debt declined to approximately $2.1 billion in principal as of May 1, 2006 reflecting debt issuance and payment activity during the fiscal year. An additional $500.0 million in Tax and Revenue Anticipation Notes and $45.0 million in Bond Anticipation Notes were also outstanding as of May 1, 2006. The table below summarizes the outstanding General County debt and note obligations.

.

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING PRINCIPAL

As of May 1, 2006 (in thousands)

Type of Obligation		Outstanding Principal
Total County		
Short-Term Obligations:		
Tax and Revenue Anticipation Notes		$ 500,000.0
Bond Anticipation Notes		45,000.0
Intermediate & Long-Term Obligations		
General Obligation Bonds		16,205.0
Special Fund Obligations		0.0
Pension Obligations	(1)	737,087.4
Lease Obligations		1,017,242.0
Total Outstanding Principal		$ 2,315,534.4

(1) Reflects $313.0 million in principal payments that were deposited with the trustees in advance, but which will not be disbursed to bondholders until June 30, 2006.

Source: Los Angeles County Chief Administrative Office

The tables at the end of this section provide a detailed summary of the funding sources for the County's outstanding obligations and 2005-06 payments.

DEBT RATIOS

The ratio of the General Fund's outstanding debt to total assessed valuations decreased from 0.392% in 2004 to 0.305% in 2005. The following table provides the ratio of the General Fund's outstanding debt to total assessed valuation over the past ten years.

COUNTY OF LOS ANGELES
DEBT RATIOS - Principal as a percent of total valuation on July 1
INTERMEDIATE AND LONG-TERM OBLIGATIONS

Year	Outstanding Principal	Total Assessed Valuation	% of Principal to Valuation
1996	$4,455,177,708	$447,781,824,007	0.995%
1997	4,281,455,241	456,119,926,899	0.939%
1998	4,389,430,735	468,476,629,007	0.937%
1999	4,147,139,371	497,014,083,986	0.834%
2000	4,006,333,171	531,023,420,236	0.754%
2001	3,703,638,147	567,296,327,872	0.653%
2002	3,404,067,514	605,942,874,836	0.562%
2003	3,093,060,550	656,073,063,881	0.471%
2004	2,785,149,946	709,671,759,735	0.392%
2005	2,387,949,433	783,342,364,874	0.305%

Source: Los Angeles County Chief Administrative Office and Auditor-Controller

SHORT-TERM OBLIGATIONS

Tax and Revenue Anticipation Notes

In 1977, the County implemented a cash management program to finance its General Fund cash flow shortages, which occur periodically during the fiscal year. Since the program's inception, the County has annually sold tax anticipation notes and tax and revenue anticipation notes (including commercial paper) in varying amounts.

On July 1, 2005, the County issued its 2005-06 Tax and Revenue Anticipation Notes (the "2005-06 Notes") in the principal amount of $500.0 million, and with a maturity date of June 30, 2006. The 2005-06 Notes are secured by a pledge of the first unrestricted taxes, income, revenue, and cash receipts received by the County during the 2005-06 fiscal year in amounts, and on dates specified in the Cash Management Section of this Appendix. Under the authorization for the 2005-06 Notes, the County retains the ability to issue up to an additional $600.0 million in 2005-06 Notes. The County does not intend to issue any additional 2005-06 Tax and Revenue Anticipation Notes.

Pursuant to a resolution adopted by the Board of Supervisors on May 16, 2006, the County anticipates issuing $500.0 million in 2006-07 Tax and Revenue Anticipation Notes (the "2006-07 Notes") on July 3, 2006. The 2006-07 Notes are expected to have a maturity date of June 29, 2007.

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance from the proceeds of long-term bonds or other available funds. Repayment is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of May 1, 2006, $45.0 million in BANs remained outstanding. The County expects to pay in full these outstanding BANs with the proceeds of long-term bonds to be issued by LAC-CAL in June 2006.

Tax-Exempt Commercial Paper

The County has authorized a maximum of $335.0 million of tax-exempt commercial paper ("TECP") to finance and refinance construction costs on various capital projects. Repayment of the TECP is secured by an Irrevocable, Direct-Pay Letter of Credit issued by WestLB AG , Bayerische Landesbank, and JPMorgan Chase Bank and a sublease of nineteen County-owned properties. The subleased properties have useful lives ranging from ten to forty-seven years and have been appraised at an aggregate value in excess of the $335.0 million authorized by the Board of Supervisors. The Letter of Credit is scheduled to expire on December 15, 2015. As of May 1, 2006, no TECP Notes are outstanding. The County maintains its TECP capacity to provide both interim funding for capital projects pending construction and long-term financing.

LONG-TERM OBLIGATIONS

General Obligation Debt

On June 11, 1987, the County issued $96.0 million of direct, general obligation bonded indebtedness to fund the construction of adult and juvenile detention facilities. As of May 1, 2006, $16.2 million in principal remained outstanding. The County does not presently have any additional general obligation authorization.

Special Fund and Special Districts Obligations

On June 2, 1993, the County issued three series of certificates of participation in the aggregate principal amount of $189.5 million that are secured by revenues generated from the leasing and operation of commercial properties at Marina del Rey, which is a small craft harbor and recreational marina. The County defeased all three series of certificates of participation in 2005.

Pension Obligations

The County has periodically issued bonds or certificates to fund its unfunded actuarial accrued liability for the retirement benefits of its employees. The obligation of the County to make payments with respect to these bonds and certificates represents an absolute and unconditional obligation imposed by law and is not limited to any special source of funds. As of May 1, 2006, the County had approximately $1.05 billion in outstanding bonds and certificates that were issued to finance unfunded actuarial accrued liabilities to its retirement system. Payment for approximately $313 million of the $1.05 billion in principal was previously delivered to the trustees in July 2005 by the County for those obligations maturing on June 30, 2006. The County's pension bonds and certificates mature no later than June 2011.

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities, parking authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of May 1, 2006, approximately $1.0 billion in principal remained outstanding on such obligations. The County's lease obligations are secured by revenues from various funding sources, including the General Fund, and are subject to annual appropriation. The County's 2006-07 Proposed Budget contains sufficient appropriations to fund its 2006-07 payment obligations. The County's Board of Supervisors has never failed to appropriate funds for such obligations, nor has the County abated payments on any lease-financed facility to date.

DEBT SUMMARY TABLES

The tables on the following pages provide:

1. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by obligation type;
2. A summary of the combined principal and interest payments due on General County obligations and the aggregate principal outstanding for each fiscal year by funding source;
3. A detail of the 2005-06 payments on General County obligations by funding source and debt issue;
4. A detail of the principal outstanding in 2005-06 on General County debt issues by funding source and debt issue;
5. A summary of the outstanding principal, future payments and current year payments due on General County long and intermediate term debt obligations as of May 1, 2006;
6. The County's overlapping debt statement as of May 1, 2006.

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2005

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS AND OUTSTANDING PRINCIPAL BY FUNDING SOURCE

ENTIRE CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2006

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS
AS OF JULY 1, 2005

Fiscal Year	General Obligation Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Debt Service
2005-06	$9,086,144	$58,158,295	$356,883,004	164,789,219	$588,916,661
2006-07	9,056,106	20,171,535	381,235,406	324,427,128	734,890,175
2007-08	-	20,144,396	381,602,899	133,989,205	535,736,500
2008-09	-	14,362,075	320,338,646	121,799,999	456,500,719
2009-10	-	-	358,165,000	116,095,821	474,260,821
2010-11	-	-	372,130,000	105,546,359	477,676,359
2011-12	-	-	-	105,248,793	105,248,793
2012-13	-	-	-	93,870,586	93,870,586
2013-14	-	-	-	94,670,806	94,670,806
2014-15	-	-	-	90,496,170	90,496,170
2015-16	-	-	-	69,825,079	69,825,079
2016-17	-	-	-	49,352,299	49,352,299
2017-18	-	-	-	37,557,394	37,557,394
2018-19	-	-	-	38,367,306	38,367,306
2019-20	-	-	-	39,190,531	39,190,531
2020-21	-	-	-	40,049,013	40,049,013
2021-22	-	-	-	40,945,025	40,945,025
2022-23	-	-	-	41,891,444	41,891,444
2023-24	-	-	-	17,710,063	17,710,063
2024-25	-	-	-	17,700,813	17,700,813
2025-26	-	-	-	17,695,325	17,695,325
2026-27	-	-	-	17,686,944	17,686,944
2027-28	-	-	-	17,674,131	17,674,131
2028-29	-	-	-	17,674,850	17,674,850
2029-30	-	-	-	17,661,675	17,661,675
2030-31	-	-	-	10,201,700	10,201,700
2031-32	-	-	-	10,198,531	10,198,531
2032-33	-	-	-	7,684,731	7,684,731
2033-34	-	-	-	7,686,613	7,686,613
2034-35	-	-	-	-	-
2035-36	-	-	-	-	-
2036-37	-	-	-	-	-
2037-38	-	-	-	-	-
2038-39	-	-	-	-	-
Total	$18,142,250	$112,836,301	$2,170,354,954	$1,867,687,550	$4,169,021,056

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS
AS OF JULY 1, 2005

Fiscal Year	General Obligation Bonds	Special Fund Obligations	Pension Obligation Certificates	Other Bonds	Total Outstanding Principal
2005-06	$16,205,000	$66,828,096	$1,050,107,396	$1,254,808,941	$2,387,949,433
2006-07	8,395,000	$50,226,088	737,087,396	1,152,571,969	1,948,280,453
2007-08	-	$32,609,875	546,849,148	888,341,956	1,467,800,978
2008-09	-	$13,910,000	352,255,398	800,552,785	1,166,718,184
2009-10	-	-	235,690,862	721,726,193	957,417,055
2010-11	-	-	118,486,192	645,800,838	764,287,030
2011-12	-	-	-	575,407,754	575,407,754
2012-13	-	-	-	505,122,758	505,122,758
2013-14	-	-	-	443,647,515	443,647,515
2014-15	-	-	-	379,152,430	379,152,430
2015-16	-	-	-	316,520,289	316,520,289
2016-17	-	-	-	272,663,098	272,663,098
2017-18	-	-	-	252,033,779	252,033,779
2018-19	-	-	-	240,023,152	240,023,152
2019-20	-	-	-	227,620,857	227,620,857
2020-21	-	-	-	214,798,886	214,798,886
2021-22	-	-	-	193,215,000	193,215,000
2022-23	-	-	-	161,440,000	161,440,000
2023-24	-	-	-	127,115,000	127,115,000
2024-25	-	-	-	115,555,000	115,555,000
2025-26	-	-	-	103,400,000	103,400,000
2026-27	-	-	-	90,615,000	90,615,000
2027-28	-	-	-	77,170,000	77,170,000
2028-29	-	-	-	63,035,000	63,035,000
2029-30	-	-	-	48,160,000	48,160,000
2030-31	-	-	-	32,545,000	32,545,000
2031-32	-	-	-	23,795,000	23,795,000
2032-33	-	-	-	14,595,000	14,595,000
2033-34	-	-	-	7,490,000	7,490,000
2034-35	-	-	-	-	-
2035-36	-	-	-	-	-
2036-37	-	-	-	-	-
2037-38	-	-	-	-	-
2038-39	-	-	-	-	-

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2005

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Annual Debt Service
2005-06	$185,725,872	$9,086,144	$151,791,549	$34,575,625	$92,847,554	$18,344,857	$96,545,061	$588,916,661
2006-07	192,115,668	9,056,106	319,224,260	34,614,761	57,149,791	19,596,644	103,132,946	734,890,175
2007-08	191,481,486	-	129,817,588	34,440,889	57,148,643	19,615,534	103,232,361	535,736,500
2008-09	171,001,817	-	103,174,427	34,604,283	44,594,853	16,466,367	86,658,971	456,500,719
2009-10	179,650,502	-	111,238,814	34,458,675	33,610,204	18,410,755	96,891,870	474,260,821
2010-11	173,546,692	-	114,862,326	34,548,340	34,920,679	19,128,598	100,669,724	477,676,359
2011-12	53,002,105	-	18,400,555	33,846,132	-	-	-	105,248,792
2012-13	47,205,976	-	17,098,045	29,566,565	-	-	-	93,870,586
2013-14	47,849,798	-	17,098,477	29,722,531	-	-	-	94,670,806
2014-15	45,488,565	-	16,118,727	28,888,878	-	-	-	90,496,170
2015-16	30,936,886	-	14,471,134	24,417,059	-	-	-	69,825,079
2016-17	20,801,284	-	5,684,932	22,866,083	-	-	-	49,352,299
2017-18	19,814,394	-	-	17,743,000	-	-	-	37,557,394
2018-19	20,624,681	-	-	17,742,625	-	-	-	38,367,306
2019-20	21,454,019	-	-	17,736,513	-	-	-	39,190,531
2020-21	22,321,744	-	-	17,727,269	-	-	-	40,049,013
2021-22	23,224,363	-	-	17,720,663	-	-	-	40,945,025
2022-23	24,171,488	-	-	17,719,956	-	-	-	41,891,444
2023-24	-	-	-	17,710,063	-	-	-	17,710,063
2024-25	-	-	-	17,700,813	-	-	-	17,700,813
2025-26	-	-	-	17,695,325	-	-	-	17,695,325
2026-27	-	-	-	17,686,944	-	-	-	17,686,944
2027-28	-	-	-	17,674,131	-	-	-	17,674,131
2028-29	-	-	-	17,674,850	-	-	-	17,674,850
2029-30	-	-	-	17,661,675	-	-	-	17,661,675
2030-31	-	-	-	10,201,700	-	-	-	10,201,700
2031-32	-	-	-	10,198,532	-	-	-	10,198,531
2032-33	-	-	-	7,684,731	-	-	-	7,684,731
2033-34	-	-	-	7,686,613	-	-	-	7,686,613
2034-35	-	-	-	-	-	-	-	-
2035-36	-	-	-	-	-	-	-	-
2036-37	-	-	-	-	-	-	-	-
2037-38	-	-	-	-	-	-	-	-
2038-39	-	-	-	-	-	-	-	-
Total	$1,470,417,339	$18,142,250	$1,018,980,832	$642,515,222	$320,271,723	$111,562,756	$587,130,933	$4,169,021,056

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2005

Fiscal Year	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State/Federal Subvention	Total Outstanding Principal
2005-06	$817,228,233	$16,205,000	$660,558,966	$387,106,187	$168,794,174	$53,978,670	$284,078,203	$2,387,949,434
2006-07	669,277,873	8,395,000	539,905,419	371,625,194	121,789,369	37,888,503	199,399,094	1,948,280,453
2007-08	562,816,003	-	288,274,374	355,434,443	85,231,199	28,109,687	147,935,272	1,467,800,978
2008-09	454,317,813	-	213,176,666	338,693,886	47,129,647	18,106,984	95,293,187	1,166,718,184
2009-10	370,329,101	-	168,132,296	320,963,411	22,117,230	12,115,217	63,759,799	957,417,055
2010-11	288,500,120	-	123,999,461	302,524,920	11,118,744	6,090,546	32,053,240	764,287,030
2011-12	215,921,861	-	78,874,248	283,071,645	-	-	-	577,867,754
2012-13	180,539,292	-	63,799,178	263,389,288	-	-	-	507,727,758
2013-14	150,010,877	-	49,377,538	247,019,099	-	-	-	446,407,515
2014-15	118,158,618	-	34,279,455	229,639,358	-	-	-	382,077,430
2015-16	87,988,277	-	19,440,996	212,186,017	-	-	-	319,615,289
2016-17	72,115,806	-	5,556,353	198,275,939	-	-	-	275,948,098
2017-18	66,818,779	-	-	185,215,000	-	-	-	252,033,779
2018-19	63,298,152	-	-	176,725,000	-	-	-	240,023,152
2019-20	59,820,857	-	-	167,800,000	-	-	-	227,620,857
2020-21	56,388,886	-	-	158,410,000	-	-	-	214,798,886
2021-22	44,695,000	-	-	148,520,000	-	-	-	193,215,000
2022-23	23,340,000	-	-	138,100,000	-	-	-	161,440,000
2023-24	-	-	-	127,115,000	-	-	-	127,115,000
2024-25	-	-	-	115,555,000	-	-	-	115,555,000
2025-26	-	-	-	103,400,000	-	-	-	103,400,000
2026-27	-	-	-	90,615,000	-	-	-	90,615,000
2027-28	-	-	-	77,170,000	-	-	-	77,170,000
2028-29	-	-	-	63,035,000	-	-	-	63,035,000
2029-30	-	-	-	48,160,000	-	-	-	48,160,000
2030-31	-	-	-	32,545,000	-	-	-	32,545,000
2031-32	-	-	-	23,795,000	-	-	-	23,795,000
2032-33	-	-	-	14,595,000	-	-	-	14,595,000
2033-34	-	-	-	7,490,000	-	-	-	7,490,000
2034-35	-	-	-	-	-	-	-	-
2035-36	-	-	-	-	-	-	-	-
2036-37	-	-	-	-	-	-	-	-
2037-38	-	-	-	-	-	-	-	-
2038-39	-	-	-	-	-	-	-	-

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations								
General Obligation Bonds								
1987 GO Bonds: Justice Facility	9,086,144		9,086,144					
Special Fund Obligations								
1993 COPs, Ser A: Marina del Rey	52,394,213					52,394,213		
1993 COPs, Ser B: Marina del Rey	1,556,423					1,556,423		
1993 COPs, Ser C: Marina del Rey	4,207,659					4,207,659		
Total Special Fund Obligations	58,158,295	0	0	0	0	58,158,295	0	0
Pension Obligation Certificates								
1986 Pension Ob Certs, Ser A: LACERA Funding	5,571,060	1,810,817		1,443,985		522,788	286,369	1,507,100
1994 Pension Ob Certs, Ser A: LACERA Funding	236,476,602	76,864,355		61,293,316		22,190,964	12,155,607	63,972,360
1994 Pension Ob Certs, Ser C: LACERA Funding	0							
1994 Pension Ob Certs, Ser D: LACERA Funding	44,504,653	14,465,792		11,535,339		4,176,317	2,287,673	12,039,532
1996 Pension Ob Refg Bonds: LACERA Funding	70,330,689	22,860,287		18,229,293		6,599,832	3,615,208	19,026,069
Total Pension Obligation Certificates	356,883,004	116,001,252	0	92,501,933	0	33,489,901	18,344,857	96,545,061
Long-Term Capital Projects								
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:								
Civic Center Heating & Refridgeration Plant	5,869,874	5,869,874						
Downey Courthouse	984,884				984,884			
LeSage Complex	485,534	485,534						
Olive View Medical Center	10,319,178			10,319,178				
Sheriffs Training Academy	822,686	822,686						
San Fernando Court	1,377,941				1,377,941			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	19,860,098	7,178,094	0	10,319,178	2,362,825	0	0	0
1993 COPs: Disney Parking Project	4,790,000	4,790,000						
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:								
Lynwood Regional Justice Center	12,181,633	12,181,633						
Mobile Digital Communication System								
Los Hills Sheriffs Station	1,112,291	1,112,291						
Mira Loma Boy's Camp	3,379,058	3,379,058						
Mid Valley Health Center	952,483			952,483				
LAC/USC Intensive Care Unit	248,128			248,128				
Martin Luther King, Jr. Medical Center Parking Structure	544,821			544,821				
Compton Courthouse								
El Monte Courthouse								
Inglewood Municipal Courthouse & Parking Structure								
Martin Luther King, Jr. Medical Center Psychiatric Facility	1,503,800			1,503,800				
East Los Angeles Courthouse	1,443,144				1,443,144			
Fire Command and Control System	683,450					683,450		
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	22,048,808	16,672,981	0	3,249,232	1,443,144	683,450	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail	11,461,910	11,461,910						
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:								
Hollywood Courthouse								
Long Beach Comprehensive Health Center								
Van Nuys Courthouse	4,125,188				4,125,188			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	892,417	892,417						
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	272,063	272,063						
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	1,091,010	1,091,010						
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	252,003	252,003						
Pitchess Honor Rancho: Vehicle Maintenance Facility	642,213	642,213						
Men's Central Jail Parking Structure	2,870,116	2,870,116						
Mira Loma Men's Medium Security Facility	514,924	514,924						
Pitchess Honor Rancho Laundry Expansion	288,463	288,463						
Pitchess Honor Rancho Visitors Center	713,040	713,040						
Pomona Municipal Courthouse	596,353				596,353			
Hutton Building - Registrar / Recorder Headquarters	3,718,504	3,718,504						
Temple City Sheriff Station	1,224,855	1,224,855						
Public Library Headquarters	515,908					515,908		
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	17,717,055	12,479,607	0	0	4,721,540	515,908	0	0
1997 Tax-Exempt Commercial Paper Program: Dept of Health Services	17,232,240			17,232,240				
1998 Refg COPs: Disney Parking Project	3,076,120	3,076,120						
2000 COPs, Ser A: Antelope Valley Courthouse	7,685,488				7,685,488			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	3,627,425				3,627,425			
2002 Lease Rev Bonds Ser B:								
Downey Courhouse	320,365				320,365			
Sheriffs Training Academy	264,469	264,469						
San Fernando Court	442,967				442,967			
Total 2002 Lease Rev Bonds Ser B	1,027,800	264,469	0	0	763,331	0	0	0

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Debt Service	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
2005 Lease Rev Refg Bonds Ser A:								
Music Center Improvements	780,108	780,108						
Alhambra Courthouse	589,636				589,636			
Burbank Courthouse	770,290				770,290			
Ameron Building (Sheriff Headquarters)	2,537,873	2,537,873						
Biscailuz Center	224,933	224,933						
Emergency Operations Center	1,987,783	1,987,783						
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	1,506,752			1,506,752				
Martin Luther King Medical Center - Trauma Center	6,302,517			6,302,517				
Martin Luther King Medical Center - Central Plant	1,293,880			1,293,880				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	105,690			105,690				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	4,452,849			4,452,849				
Rancho Los Amigos Medical Center - Parking Structure	1,664,376			1,664,376				
Rancho Los Amigos Medical Center - Central Plant	4,894,861			4,894,861				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	694,641			694,641				
San Fernando Valley Juvenile Hall	989,208	989,208						
LAC/USC Medical Center Marengo Street Parking Garage	2,632,649			2,632,649				
LAX Area Courthouse	7,045,536				7,045,536			
San Fernando Valley Courthouse (Chatsworth)	5,566,410				5,566,410			
Harbor Med Center E.P.S.	1,272,015			1,272,015				
Total 2005 Lease Rev Refg Bonds Ser A	45,312,008	6,519,905	0	24,820,230	13,971,872	0	0	0
Total Long-Term Capital Projects	153,838,950	62,443,086	0	55,620,881	34,575,625	1,199,358	0	0
Total Long-Term Obligations	577,966,392	178,444,338	9,086,144	148,122,814	34,575,625	92,847,554	18,344,857	96,545,061
Intermediate-Term Obligations								
Equipment								
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	2,765,875	2,457,817		308,058				
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	3,718,669	2,144,282		1,574,386				
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	4,465,725	2,679,435		1,786,290				
Total Equipment	10,950,269	7,281,535	0	3,668,734	0	0	0	0
Total Intermediate-Term Obligations	10,950,269	7,281,534	0	3,668,734	0	0	0	0
Total Obligations	588,916,661	185,725,872	9,086,144	151,791,549	34,575,625	92,847,554	18,344,857	96,545,061

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
Long-Term Obligations								
General Obligation Bonds								
1987 GO Bonds: Justice Facility	16,205,000		16,205,000					
Special Fund Obligations								
1993 COPs, Ser A: Marina del Rey	50,745,000					50,745,000		
1993 COPs, Ser B: Marina del Rey	4,355,026					4,355,026		
1993 COPs, Ser C: Marina del Rey	11,728,070					11,728,070		
Total Special Fund Obligations	66,828,095	0	0	0	0	66,828,095	0	0
Pension Obligation Certificates								
1986 Pension Ob Certs, Ser A: LACERA Funding	80,740,000	26,243,730		20,927,324		7,576,642	4,150,278	21,842,027
1994 Pension Ob Certs, Ser A: LACERA Funding	217,710,000	70,764,458		56,429,126		20,429,906	11,190,947	58,895,562
1994 Pension Ob Certs, Ser C: LACERA Funding	248,395,233	80,738,386		64,382,554		23,309,409	12,768,260	67,196,623
1994 Pension Ob Certs, Ser D: LACERA Funding	371,462,163	120,740,062		96,280,764		34,858,009	19,094,270	100,489,059
1996 Pension Ob Refg Bonds: LACERA Funding	131,800,000	42,840,272		34,161,769		12,368,112	6,774,915	35,654,931
Total Pension Obligation Certificates	1,050,107,396	341,326,908	0	272,181,536	0	98,542,078	53,978,670	284,078,203
Long-Term Capital Projects								
1992 Lease Rev Refg Bonds, 1992 Master Refg Proj:								
Civic Center Heating & Refridgeration Plant	25,365,000	25,365,000						
Downey Courthouse	4,935,000				4,935,000			
LeSage Complex	1,555,000	1,555,000						
Olive View Medical Center	28,360,000			28,360,000				
Sheriffs Training Academy	4,130,947	4,130,947						
San Fernando Court	6,919,053				6,919,053			
Total 1992 Lease Rev Refg Bonds, 1992 Master Refg Proj	71,265,000	31,050,947	0	28,360,000	11,854,053	0	0	0
1993 COPs: Disney Parking Project	50,394,941	50,394,941						
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj:								
Lynwood Regional Justice Center	97,255,000	97,255,000						
Mobile Digital Communication System								
Los Hills Sheriffs Station	3,989,106	3,989,106						
Mira Loma Boy's Camp	12,129,840	12,129,840						
Mid Valley Health Center	3,415,128			3,415,128				
LAC/USC Intensive Care Unit	884,876			884,876				
Martin Luther King, Jr. Medical Center Parking Structure	1,961,051			1,961,051				
Compton Courthouse								
El Monte Courthouse								
Inglewood Municipal Courthouse & Parking Structure								
Martin Luther King, Jr. Medical Center Psychiatric Facility	1,460,000			1,460,000				
East Los Angeles Courthouse	12,700,000				12,700,000			
Fire Command and Control System	1,880,000					1,880,000		
Total 1996 Lease Rev Refg Bonds Ser A, 1996 Master Refg Proj	135,675,001	113,373,946	0	7,721,055	12,700,000	1,880,000	0	0
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refg Proj: Central Jail	91,975,000	91,975,000						
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj:								
Hollywood Courthouse								
Long Beach Comprehensive Health Center								
Van Nuys Courthouse	32,494,000				32,494,000			
Pitchess Honor Rancho: Medium Security - N Facility Air Conditioning	3,856,532	3,856,532						
Pitchess Honor Rancho: Medium Security - N Facility Sewer System	1,175,706	1,175,706						
Pitchess Honor Rancho: Medium Security - N Facility Water Treatment	4,714,744	4,714,744						
Pitchess Honor Rancho: Medium Security - N Facility Debris Basin	1,089,018	1,089,018						
Pitchess Honor Rancho: Vehicle Maintenance Facility	2,771,000	2,771,000						
Men's Central Jail Parking Structure	12,412,000	12,412,000						
Mira Loma Men's Medium Security Facility	2,962,000	2,962,000						
Pitchess Honor Rancho Laundry Expansion	1,660,000	1,660,000						
Pitchess Honor Rancho Visitors Center	4,098,000	4,098,000						
Pomona Municipal Courthouse	3,428,000				3,428,000			
Hutton Building - Registrar / Recorder Headquarters	21,352,000	21,352,000						
Temple City Sheriff Station	7,038,000	7,038,000						
Public Library Headquarters	1,544,000					1,544,000		
Total 1997 Lease Rev Refg Bonds Ser A, 1997 Master Refg Proj	100,595,000	63,129,000	0	0	35,922,000	1,544,000	0	0
1997 Tax-Exempt Commercial Paper Program: Dept of Health Services	183,804,000			183,804,000				
1998 Refg COPs: Disney Parking Project	59,900,000	59,900,000						
2000 COPs, Ser A: Antelope Valley Courthouse	113,700,000				113,700,000			
2002 Lease Rev Bonds Ser A: Edmund D. Edelman Children's Court	21,400,000				21,400,000			
2002 Lease Rev Bonds Ser B:								
Downey Courhouse	5,339,414				5,339,414			
Sheriffs Training Academy	4,407,809	4,407,809						
San Fernando Court	7,382,777				7,382,777			
Total 2002 Lease Rev Bonds Ser B	17,130,000	4,407,809	0	0	12,722,191	0	0	0

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL BY FUNDING SOURCE
AS OF JULY 1, 2005

Title	Total Outstanding Principal	General Fund	General Obligation Bond Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Trial Court Trust Fund	State / Federal Subvention
2005 Lease Rev Refg Bonds Ser A:								
Music Center Improvements	6,657,497	6,657,497						
Alhambra Courthouse	4,330,316				4,330,316			
Burbank Courthouse	6,550,302				6,550,302			
Ameron Building (Sheriff Headquarters)	18,595,722	18,595,722						
Biscailuz Center	1,655,848	1,655,848						
Emergency Operations Center	15,769,160	15,769,160						
Harbor/UCLA Medical Center - Primary Care & Diagnostic Center	11,944,234			11,944,234				
Martin Luther King Medical Center - Trauma Center	56,983,523			56,983,523				
Martin Luther King Medical Center - Central Plant	1,273,190			1,273,190				
Martin Luther King Medical Center - Modular Building (Ped. Trauma)	781,376			781,376				
Rancho Los Amigos Medical Center - 150 Bed Inpatient Unit A	37,890,471			37,890,471				
Rancho Los Amigos Medical Center - Parking Structure	14,144,261			14,144,261				
Rancho Los Amigos Medical Center - Central Plant	4,816,592			4,816,592				
Rancho Los Amigos Medical Center - Master Plan II (Utilities)	5,097,752			5,097,752				
San Fernando Valley Juvenile Hall	8,929,413	8,929,413						
LAC/USC Medical Center Marengo Street Parking Garage	22,400,367			22,400,367				
LAX Area Courthouse	92,661,656				92,661,656			
San Fernando Valley Courthouse (Chatsworth)	75,265,669				75,265,669			
Harbor Med Center E.P.S.	7,567,651			7,567,651				
Total 2005 Lease Rev Refg Bonds Ser A	393,315,000	51,607,640	0	162,899,417	178,807,943	0	0	0
Total Long-Term Capital Projects	1,239,153,941	465,839,283	0	382,784,471	387,106,187	3,424,000	0	0
Total Long-Term Obligations	2,372,294,433	807,166,191	16,205,000	654,966,008	387,106,187	168,794,174	53,978,670	284,078,203
Intermediate-Term Obligations								
Equipment								
2001 Lease Rev Bonds Ser A: LAC-CAL Equipment Program	2,725,000	2,421,495		303,505				
2002 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	5,025,000	2,897,547		2,127,453				
2004 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	7,905,000	4,743,000		3,162,000				
Total Equipment	15,655,000	10,062,042	0	5,592,958	0	0	0	0
Total Intermediate-Term Obligations	15,655,000	10,062,042	0	5,592,958	0	0	0	0
Total Obligations	2,387,949,433	817,228,233	16,205,000	660,558,966	387,106,187	168,794,174	53,978,670	284,078,203

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES
SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS
AS OF MAY 1, 2006

Title	Outstanding Principal	Total Future Payments	2005-06 FY Payment Remaining	
Long-Term Obligations				
General Obligation Bonds				
1987 GO Bonds: Justice Facility	16,205,000	17,504,178	8,448,072	
Special Fund Obligations				
1993 COPs, Ser A: Marina del Rey	0	0	0	
1993 COPs, Ser B: Marina del Rey	0	0	0	
1993 COPs, Ser C: Marina del Rey	0	0	0	
Total Special Fund Obligations	0	0	0	
Pension Obligation Certificates				
1986 Pension Obligation Certificates, Series A	80,740,000	91,882,120	0	
1994 Pension Obligation Bonds, Series A (Current Interest Bonds)	0	0	0	
1994 Pension Obligation Bonds, Series C (Capital Appreciation Bonds)	248,395,233	843,900,000	0	
1994 Pension Obligation Bonds, Series D (Variable Rate Bonds)	337,452,163	802,342,052	0	
1996 Pension Obligation Refunding Bonds	70,500,000	75,347,779	0	
Total Pension Obligation Certificates	737,087,396	1,813,471,950	0	(1)
Long-Term Capital Projects				
1992 Lease Rev Refg Bonds, 1992 Master Refunding Project	55,185,000	62,859,193	1,653,874	
1993 COPs: Disney Parking Project	48,296,969	197,555,000	0	
1996 Lease Rev Refg Bonds Ser A, 1996 Master Refunding Project	120,570,000	150,025,064	0	
1996 Lease Rev Refg Bonds Ser B, 1996 Master Refunding Project	85,120,000	107,918,725	0	
1997 Lease Rev Refg Bonds Ser A, 1997 Master Refunding Project	87,950,000	105,680,795	0	
1997 Tax-Exempt Commercial Paper Program	0	0	0	(2)
1998 Refg COPs: Disney Parking Project	59,655,000	103,121,323	0	
2000 COPs, Series A: Antelope Valley Courthouse	111,940,000	215,220,619	0	
2002 Lease Rev Bonds Series A - Edmund D. Edelman Court Project Refunding	18,715,000	21,761,625	0	
2002 Lease Rev Bonds Series B - 2002 Master Refunding Project	17,130,000	26,039,100	513,900	
2005 Lease Rev Refg Bonds Series A - 2005 Master Refunding Project	365,300,000	521,393,859	0	(3)
2005 Lease Rev Bonds Series A - 2005 Calabasas Landfill Project	38,475,000	56,146,106	1,785,849	
Total Long-Term Capital Projects	1,008,336,969	1,567,721,408	3,953,622	
Total Long-Term Obligations	$1,761,629,365	$3,398,697,536	$12,401,694	
Intermediate-Term Obligations				
Equipment				
2001 Lease Rev Bonds Series A - LAC-CAL Equipment Program	0	0	0	
2002 Lease Rev Bonds Series A - LAC-CAL Equipment Program	3,215,000	3,283,025	1,835,759	
2004 Lease Rev Bonds Series A - LAC-CAL Equipment Program	5,690,000	5,893,250	2,105,713	
Total Equipment	8,905,000	9,176,275	3,941,472	
Total Intermediate-Term Obligations	8,905,000	9,176,275	3,941,472	
Total Obligations	1,770,534,365	3,407,873,811	16,343,166	

COPs = Certificates of Participation

(1) Does not reflect $313,020,000 in principal and $21,925,658 in interest payment amounts remaining for FY 2005-06 that were deposited with the respective trustees in advance on July 15 or 30, 2005 as required by the individual Trust Agreements.

(2) Outstanding Tax-Exempt Commercial Paper (TECP) was redeemed in February and March 2006. Any 2005-06 FY payment remaining is dependant upon the issuance and maturity of new commercial paper prior to July 1, 2006.

(3) Does not reflect $8,420,882 in unpaid interest remaining for FY 2005-06 that was deposited with the trustee in advance on April 15, 2006 as required by the Indenture of Trust.

Source: Los Angeles County Chief Administrative Office

COUNTY OF LOS ANGELES

ESTIMATED OVERLAPPING DEBT STATEMENT AS OF MAY 1, 2006

Full Cash Value (2005-06): $748,692,783,144 (after deducting $95,246,092,863 redevelopment incremental valuation; including unitary utility valuation)

	Applicable %			Debt as of 5/1/06	
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT					
Los Angeles County	**100.000**	**%**	**$**	**16,205,000**	
Los Angeles County Flood Control District	100.000			127,840,000	
Metropolitan Water District	46.814			182,370,959	
Los Angeles Community College District	100.000			694,705,000	
Other Community College Districts	Various			763,255,262	
Beverly Hills Unified School District	100.000			148,849,380	
Burbank Hills Unified School District	100.000			95,339,996	
Glendale Unified School District	100.000			152,960,000	
Long Beach Unified School District	100.000			252,235,000	
Los Angeles Unified School District	100.000			5,776,960,000	
Pasadena Unified School District	100.000			210,445,000	
Pomona Unified School District	100.000			144,625,000	
Other Unified School Districts	100.000			1,907,890,805	
High School and School Districts	Various	(1)		974,588,695	
City of Los Angeles	100.000			1,445,250,000	
City of Los Angeles Special Tax Lease Revenue Bonds	100.000			142,055,000	
City of Industry	100.000			206,200,000	
Other Cities	100.000			47,985,000	
Special Districts	100.000			11,901,632	
Community Facilties Districts	100.000			784,229,691	
Los Angeles County Regional Park & Open Space Assessment District	100.000			325,710,000	
1915 Act and Benefit Assessment Bonds - Estimate	100.000			224,442,400	
Los Angeles County Metropolitan Transportation Authority Benefit Assessment District Bon	100.000			82,575,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$	14,718,618,820	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT					
Los Angeles County General Fund Obligations	**100.000**	**%**	**$**	**1,271,856,972**	(2)
Los Angeles County Pension Obligations	**100.000**			**1,050,097,395**	
Los Angeles County Office of Education Certificates of Participation	100.000			21,784,577	
Community College District Certificates of Participation	Various	(1)		121,207,918	
Los Angeles Unified School District Certificates of Participation	100.000			270,333,350	
Pomona Unified School District Certificates of Participation	100.000			67,055,000	
Other Unified School District Certificates of Participation	100.000			385,022,070	
High School and School District General Fund Obligations	Various	(1)		170,618,213	
City of Beverly Hills General Fund Obligations	100.000			183,670,000	
City of Los Angeles General Fund and Judgement Obligations	100.000			1,141,355,000	
City of Long Beach General Fund Obligations	100.000			289,760,000	
City of Long Beach Pension Obligations	100.000			97,255,000	
City of Pasadena General Fund Obligations	100.000			267,295,000	
City of Pasadena Pension Obligations	100.000			136,590,000	
Other Cities' General Fund Obligations	100.000			1,079,866,106	
Los Angeles County Sanitation Districts General Fund Obligations	100.000			405,660,000	
Walnut Valley Water District General Fund Obligations	100.000			15,055,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$	6,974,481,601	
Less: **Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina del Rey)**				**(39,230,000)**	
School District self-supporting bonds				(33,500,000)	
Cities' self-supporting bonds				(189,115,629)	
Walnut Valley Water District General Fund Obligations				(15,055,000)	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			$	6,697,580,972	
GROSS COMBINED TOTAL DEBT			$	21,693,100,421	(3)
NET COMBINED TOTAL DEBT			$	21,416,199,792	

(1) All 100%, or almost 100%, except for Antelope Valley Joint Union High School District, Fullerton Union High School District and Community College District, and the schools and special districts included in them.

(2) Excludes tax and revenue anticipation notes.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2005-06 ASSESSED VALUATION	
Direct Debt ($16,205,000)	**0.002%**
Total Direct and Overlapping Tax and Assessment Debt	1.74%
RATIOS TO FULL CASH VALUE (ADJUSTED ASSESSED VALUATION)	
Combined Gross Direct Debt ($2,338,159,367)	**0.31%**
Net Combined Direct Debt ($2,298,929,367)	**0.31%**
Gross Combined Total Debt	2.90%
Net Combined Total Debt	2.86%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $ 1,225,130

Source: California Municipal Statistics. The above report is included for general information purposes only. The County has not reviewed the debt report for completeness or accuracy and makes no representations in connection therewith.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Economic Overview

With a 2004 Gross Product estimated at $408 Billion, Los Angeles County's economy is larger than that of 42 states and all but 16 countries. Los Angeles County serves as the central trade district for the western United States and controls nearly three-quarters of the Pacific Coast trade with Asia. It is a leader in the communications industry, has established itself as a leading financial center, and serves as the western headquarters for many national firms. The County's economy continued to expand at a solid pace in 2005, which is expected to continue through the end of 2006, but at a slower rate of growth.

Since 2003, Los Angeles County has experienced a steady recovery in the job market with a third consecutive year of lower unemployment rates expected in 2006. The 2005 unemployment rate of 5.4% was the lowest in the County since 1988. In 2006, the County's economy is expected to show moderate job growth in non-farm employment of approximately 0.9%, or 37,900 jobs, from the 0.7% or 27,900 job increase in 2005. The continued improvement in the job market is being supported by $32.3 Billion in major construction projects that are currently underway, including the expansion of port facilities, the LAUSD school construction program and replacement of the County LAC+USC Medical Center.

In terms of its industrial base, diversity continues to be Los Angeles County's greatest strength, with continued job growth projected for most major sectors of the economy in 2006. The continuing increase in international trade has made the ports of Los Angeles and Long Beach the busiest and most productive in the nation. After showing strong gains in the total value of two-way trade from 2004 to 2005 of over 11%, Los Angeles continues to be the number one customs district in the nation for international trade. The residential housing market continued its strong performance in 2005, with median home prices increasing by over 18% from 2004.

Quality of Life

Higher Education

Los Angeles County is home to 198 colleges and universities including the California Institute of Technology, the Claremont Colleges, Occidental College, the University of California at Los Angeles, the University of Southern California, five campuses of the California State University system, the Art Center College of Design, California Institute of the Arts, and the Otis College of Art and Design.

Culture

Los Angeles County is the cultural center of the western United States offering world-class museums, theaters, and music venues. The County is home to over 1,000 performing arts organizations and 150,000 working artists, creating one of the largest concentrations of arts activity in the United States.

Los Angeles County has among the largest number of museums per capita relative to other large metropolitan areas in the world. The area's museums showcase some of the world's finest collections of art, sculpture, manuscripts, and antiquities; as well as providing a historical overview of the area's ethnic heritage and experience. Major institutions include the acclaimed Los Angeles County Museum of Art, the Los Angeles County Museum of Natural History, the George C. Page Museum, the Anderson Gallery, the Norton Simon Museum, the J. Paul Getty Museum, the Museum of Contemporary Art, and the Huntington Library.

Los Angeles County features more annual theatrical productions and has more weekly openings than most major cities in the world. The County is home to the Los Angeles Philharmonic Orchestra, which is recognized as one of the finest symphony orchestras in the world. The area also supports numerous regional orchestras such as the Long Beach Symphony, Pasadena Symphony, and Santa Monica Symphony orchestras.

Recreation

Due to its geographic size, location, topography, and mild climate (an average of 329 days of sunshine per year), Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, which is home to more than 5,000 pleasure boats, and manages 63,000 acres of parks, trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit Los Angeles County's 31 miles of public beaches stretching along the County's 75-mile shoreline, and bike enthusiasts are able to enjoy the County's 22-mile beach bikeway.

Millions of visitors continue to enjoy the County's multitude of amusement parks, zoos, museums, theaters, motion picture and television studios, regional campgrounds and parklands, and world-renowned restaurants and retail centers. In addition, the County is the host to a number of major annual events such as the January 1st Rose Parade and Rose Bowl game, and the Academy Awards show. Los Angeles County has been a prior host to major sporting events such as the Summer Olympics, the World Cup, and the Super Bowl.

Population

The County of Los Angeles is the most populous county in the U.S. with an estimated 10.3 million people residing within its borders. The County's population makes it equivalent to the ninth largest state in the nation and accounts for approximately 28% of the total population of California. The demographic profile of the County indicates that 44.6% of the population is Hispanic; 31.1% White non-Hispanic; 12.6% Asian-Pacific Islander; and 9.7% African American. The County is also home to the greatest number of foreign–born residents in the nation (3.4 million) and has the largest population of persons of Filipino, Guatemalan, Korean, Mexican, Salvadoran and Thai descent outside their native countries. It is estimated that 70% of the adult population has a high school diploma or higher, while 25% has a bachelor's degree or higher. Table A illustrates the recent historical growth of the County's population.

Employment

After three years of rising unemployment rates during 2000-2003, the County is expected to experience its third consecutive year with an improving job market. The unemployment rate has decreased from 7.0% in 2003 to 6.6% and 5.4% in 2004 and 2005 respectively, and to a projected rate of 5.3% in 2006.

Although non-agricultural employment is projected to grow at a modest rate of 0.9% in 2006, this measurement may not accurately reflect the true strength of the job market in the County. With a growing number of people working as independent contractors in entertainment, technology, transportation and business services, “total civilian employment” is expected to show a much stronger growth of 3.4% and 2.8% in 2005 and 2006, respectively. Due to the lower value of the U.S dollar relative to foreign currencies and its positive impact on tourism, the Leisure & Hospitality sector is expected to see continued job growth in 2006 (+9,500 jobs). Other sectors of the economy expecting strong job growth in 2006 are Construction (+6,500 jobs); Professional, Scientific & Technical Services (+5,800 jobs); and Health Care & Social Assistance and Administrative & Support Services (+5,000 jobs each) On the negative side of the employment picture, the manufacturing sector is expected to see a net loss of 3,500 jobs, which is primarily due to a decrease in the production of non-durable goods. Table F details the County’s employment by sector since 2002.

Personal Income

Total personal income in Los Angeles County continued to grow in 2005, with over $351.1 billion reported, or a 6.1% increase from 2004. The County’s total personal income in 2005 represents an estimated 26.0% of the total personal income generated in California. Personal income is expected to grow at an even stronger rate of 11.7% in 2006 to an estimated $370.8 billion. Table C provides a summary of the personal income levels in Los Angeles County since 2002.

Consumer Spending

Los Angeles County is a national leader in consumer spending. In 2006, Los Angeles County will generate an estimated $102.6 billion in retail sales, representing an increase of 8.5% from 2005 and 37.8% from 2002 levels. Table D provides a summary of the recent growth of retail sales in Los Angeles County.

Industry

With a Gross Product larger than all but 16 countries and eight states, Los Angeles County is the leading center for business and commerce in the western United States. Its Gross Product of $408 billion in 2004 represents approximately 26.8% of the total economic output in California and nearly 3.5% of the Gross Product of the United States. The County’s business environment is distinguished by its diversity and balance, and is recognized as a world leader in the high-technology, electronic, energy, communication, and entertainment industries. Table B provides summary information on the Gross Product of Los Angeles County.

Los Angeles County is the largest major manufacturing center in the United States, with over 472,000 workers estimated to be employed in these industries as of 2006. The largest components of the manufacturing sector include apparel, fabricated metal products, computer and electronics, and transportation equipment. Some of the world’s most recognized companies are located in Los Angeles County, including Mattel Inc., the world’s largest toy manufacturer, and the automobile design operations of Honda, Mazda, Nissan, Toyota, Volkswagen, Volvo and the “Big Three” U.S. automobile manufacturers. The steady decline in industrial market vacancy rates (from 4.33% in 2001 to 2.00% by the end of 2005) is a strong indicator of the continuing strength of the manufacturing sector in Los Angeles County.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, Los Angeles has positioned itself as the nation’s busiest center of international commerce as measured by the dollar value of two-way trade. International trade has been a leading factor in the solid economic growth of the region in 2004 and 2005. The value of two-way trade through the Los Angeles Customs District increased by over 11% in 2005 to a record level of $293.9 billion. It is estimated that every $1 million in export trade supports 18 jobs, thus 10% of the regional GDP is tied to exports. Another 10% of the region’s GDP is tied to service exports such as movies, tourism and financial services.

Transportation/Infrastructure

Los Angeles County is one of the world’s largest transportation centers. The region’s ports, airports, integrated rail and highway facilities are part of an extensive transportation infrastructure that provides valuable service to residents, visitors, and industry.

Airports and Harbors

All transcontinental airlines and many international carriers serve the Los Angeles area through major air terminals at the Los Angeles International Airport, Long Beach Airport and the Bob Hope Airport in Burbank. Los Angeles International Airport is the third busiest and one of the most modern air terminals in the nation.

The Ports of Los Angeles and Long Beach are adjacent ports that encompass the nation’s largest port complex in terms of annual cargo tonnage and container volume. Together, they represent the fifth busiest port complex in the world after Singapore, Hong Kong, Shanghai and Shenzen. Both ports are owned and operated by their respective cities. The combined Los Angeles/Long Beach port complex is also the fastest growing port facility in the United States. The top trading region is East Asia, which accounts for over 90% of the total shipments passing through the ports. The primary trading partners are China, Japan, South Korea and Taiwan. The combined port complex is a powerful economic force in the region, with a direct connection to hundreds of thousands of jobs in Southern California and billions of dollars in state and local tax revenue.

The Port of Los Angeles is one of the largest man-made harbors in the world. As measured by annual container volume, it ranks as the busiest container port in the United States, and the eighth busiest in the world. The port facilities cover over 7,500 acres and include 43 miles of waterfront. The port has 26 major cargo terminals, including facilities to handle automobiles, containers, dry bulk products and liquid bulk products. In 2005, the port handled 169 million metric revenue tons of cargo, with an estimated value of over $150 billion; and processed nearly 7.5 million equivalent cargo container units, representing a 2.2% increase in container volume from 2004.

The Port of Long Beach is also among the world’s busiest container ports, and ranks behind the Port of Los Angeles as the second busiest port in the nation. The port covers over 3,200 acres, with 35 miles of waterfront and 8 major container terminals. In 2005, the port handled 159.2 million metric revenue tons of cargo, with an estimated value of over $100 billion; and processed nearly 6.7 million equivalent cargo container units, representing a 16% increase in container volume from 2004.

Port Expansion

The Ports of Los Angeles and Long Beach are currently in the process of major expansion programs ($1.1 and $1.4 billion, respectively) that will facilitate further growth and expansion of trade activity. The expansion of port facilities is expected to have a positive economic impact on the region through the creation of new jobs in the trade-related sectors of the local economy. The various expansion related projects will enable the region to more effectively mange the growing volume of imports and exports, which are expected to double in the near future, and provide a faster and more efficient system for the transportation of cargo from the port complex to markets nationwide.

Metro System

The Metro System, a multi-modal and integrated passenger transportation system, is now operational and providing service to the greater Los Angeles area. The Metro System was designed to meet the travel needs of the area's diverse population centers through a variety of transportation alternatives and will be implemented over a 30-year period. Its coordinated network of rail, bus, freeway (carpool lanes/freeway service patrols), bikeway, and dial-a-ride services was designed to provide a highly efficient and effective public transportation system for Los Angles County.

The integrated Metro System is administered and operated by the Los Angeles County Metropolitan Transportation Authority (MTA). Formed in 1993 from the merger of the Southern California Rapid Transit District and the Los Angeles County Transportation Commission, the MTA is responsible for the planning, design, construction and operation of the public transportation for Los Angeles County. The 2006 operating budget for the MTA is $2.859 billion, which is primarily funded through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2005, the Los Angeles Convention and Visitors Bureau reported that 24.9 million overnight visitors stayed in Los Angeles, with total visitor expenditures of $12.7 billion during this period. It is estimated that each 1% increase in the number of visitors generates an additional $280 million in travel spending. In 2005, travel and tourism directly generated an estimated $395 million in local tax revenue and $313 million in state tax revenue. According to the Los Angeles Economic Development Corporation (LAEDC), travel and tourism provides employment for over 260,000 area residents, making travel and tourism the second largest industry in Los Angeles County.

Real Estate and Construction

The residential housing market in Los Angeles County continued its strong performance in 2005. With a limited housing inventory available for sale, and less land available for new home construction, the County continued to experience an impressive level of appreciation in home values in 2005. The average median price of new and existing homes increased from $396,417 in 2004 to $469,404 in 2005, which represents an annual increase of over 18% from 2004, and a four-year increase of 109% from the 2001 median price of $224,584. From 2001 to 2005, aggregate residential building valuations in Los Angeles County have grown each year, increasing from $3.999 billion in 2001 to $6.671 billion in 2005. The strong housing market was the dominant factor behind the unprecedented growth in the County's gross Assessment Roll, which is the basis for calculating property tax revenue. The record $855.8 billion gross Assessment Roll for 2005 reflected an increase of $74.8 billion or 9.6% from the previous fiscal year.

Additional indicators of the strong real estate market in Los Angeles County in 2005 include the continued growth in both construction and residential purchase lending, and the continuing decrease in vacancy rates for the office and industrial markets. Construction lending and real estate purchase lending increased by 12% and 17%, respectively, from 2004 to 2005. However, the annual rate of growth in these areas has slowed considerably since 2001. The continued reduction in vacancy rates for the office and industrial markets is a reflection of the strength of the regional economy as businesses are hiring more employees and require additional space to facilitate growth and improve productivity. With an industrial market vacancy rate of 2%, the County has one of the tightest markets in the nation for industrial space. However, the decreasing supply of quality industrial space could have a negative impact on future business growth and expansion.

Despite the strong performance of the real estate market in Los Angeles County in 2005, several key indicators suggest the market may have peaked in 2005, and a cooling trend will take hold in 2006. The rising interest rate environment and the lack of affordability of a home purchase for the average household are significant factors that will drive any potential slow-down in 2006. According to the California Association of Realtors, the percentage of households able to afford a median-priced home in Los Angeles County decreased from 17% in 2004 to 12% in 2005. After eleven consecutive years of growth from 1993 to 2004, the total number of residential building permits decreased by 5% in 2005. The number of new and existing home sales decreased for the second consecutive year in 2005, representing a 4% decrease since 2003. Although the number of recorded default notices decreased for the ninth consecutive year in 2005, foreclosure activity in the first quarter of 2006 has increased to its highest level in two-years. The inventory of unsold new housing units at year-end increased by 78% in 2005 to 1,115 units from 628 units in 2004. With houses remaining on the market for longer periods of time, the increasing supply of homes for sale is expected to put downward pressure on home values in 2006.

The historically low interest rate environment of the last several years has provided a strong foundation for the tremendous growth in home values in Los Angeles County. A wide variety of adjustable rate mortgage products available in the market has made it possible for many homebuyers to take advantage of the historically low rates and purchase homes they could not otherwise afford with a traditional mortgage. Despite the Federal Reserve increasing short-term interest rates 16 consecutive times from 1% in June 2004 to 5% in May 2006, mortgage rates have remained at relatively low levels. However, the credit market for home mortgages has gradually become tighter. The average thirty-year fixed mortgage rate increased from 5.75% in December 2004 to 6.27% in December 2005 and the average adjustable rate mortgage grew at an even faster pace from 4.2% to 5.2% over the same period. With a tighter credit market and increasing mortgage rates, the housing market in the County is expected to soften in 2006, with a declining number of unit sales and a leveling off in the appreciation of home prices.

As a result of Proposition 13, the County's financial condition is somewhat insulated from the cyclical nature of the real estate market. Proposition 13 reduces the volatility of property tax revenue by limiting the growth of assessed valuations and allowing for reassessments only when a property is sold. As a result, there is a significant amount of “stored” home value appreciation that is not reflected on the property tax rolls and which would help to offset any future reduction in assessed valuations. Changes of ownership requiring a reassessment under Proposition 13 added approximately $54 billion to the 2005 Assessment Roll in 2005, representing over 72% of the $74.8 billion increase from 2004.

The great unknown for the real estate market is whether home price appreciation will level off and remain relatively flat, or if home values will actually drop. Although the supply of unsold homes on the market increased significantly in 2005, there is still a fundamental imbalance between supply and demand that will continue to put upward pressure on home prices. The magnitude of the pending slow-down in the market will ultimately depend on macro-economic factors such as long-term interest rates, employment growth and the overall health of the regional economy.

TABLE A: POPULATION LEVELS

	2002	2003	2004	2005	*2006
Los Angeles County	9,828,800	9,979,400	10,107,500	10,226,500	10,341,500
State of California	35,089,000	35,691,000	36,271,000	36,810,000	37,310,000
Los Angeles County as a % of California	28.01%	27.96%	27.87%	27.78%	27.72%

* Forecasted

Source: Los Angeles Economic Development Corporation

TABLE: B: GROSS PRODUCT OF LOS ANGELES COUNTY (in billions of $)

	2000	2001	2002	2003	2004
Los Angeles County	325.0	341.9	356.8	373.9	408.0
State of California	1,285.5	1,318.0	1,357.2	1,423.2	1,524.9
United States	9,817.0	10,100.8	10,487.0	11,004.0	11,733.5
Los Angeles County as a % of California	25.28%	25.94%	26.29%	26.27%	26.76%

Source: Los Angeles Economic Development Corporation

TABLE C: TOTAL PERSONAL INCOME: HISTORICAL SUMMARY BY COUNTY (in billions of $)

	2002	2003	2004	2005	*2006
Los Angeles County	300.123	311.285	329.753	349.868	370.860
Orange County	111.205	116.381	123.713	131.260	139.136
Riverside and San Bernardino Counties	84.500	89.399	97.209	104.380	111.883
Ventura County	26.677	27.860	29.541	31.182	33.082
State of California	1,147.868	1,184.058	1,262.454	1,338.201	1,419.831
Los Angeles County as a % of California	26.15%	26.29%	26.12%	26.14%	26.12%

* Forecasted

Source: Los Angeles Economic Development Corporation

TABLE D: TAXABLE RETAIL SALES IN LOS ANGELES COUNTY (in billions of $)

	2002	2003	2004	2005	*2006
Los Angeles County	74.548	79.427	86.497	94.628	102.671
State of California	301.612	320.217	350.173	383.796	419.866
Los Angeles County as a % of California	24.72%	24.80%	24.70%	24.66%	24.45%

* Forecasted

Source: Los Angeles Economic Development Corporation

TABLE E: UNEMPLOYMENT RATES

	2002	2003	2004	2005	*2006
Los Angeles County	6.8%	7.0%	6.6%	5.4%	5.3%
State of California	6.7%	6.8%	6.2%	5.4%	5.3%
United States	5.8%	6.0%	5.5%	5.1%	4.8%

* Forecasted

Source: Los Angeles Economic Development Corporation

TABLE F: ESTIMATED AVERAGE ANNUAL EMPLOYMENT IN LOS ANGELES COUNTY BY SECTOR

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2002	2003	2004	2005	*2006
Wholesale & Retail Trade	615.5	613.4	619.0	620.4	624.4
Government	606.1	599.3	586.6	580.4	577.9
Manufacturing	534.8	500.0	484.2	475.9	472.4
Leisure & Hospitality	354.2	362.6	373.1	381.2	390.7
Health Care & Social Assistance	357.4	365.6	371.9	376.6	381.6
Administrative & Support Services	261.0	249.1	253.6	257.6	262.6
Professional, Scientific & Technical Services	231.6	233.5	236.1	240.0	245.8
Information	207.3	202.3	208.1	213.2	211.2
Finance & Insurance	159.8	165.0	166.5	168.0	170.5
Transportation & Utilities	167.2	161.5	161.1	164.1	166.6
Construction	134.5	134.6	139.4	145.9	152.4
Other	397.6	396.3	392.5	396.8	401.9
Total	4,026.8	3,982.9	3,992.2	4,020.1	4,058.0

*Forecasted

Source: California Employment Development Department

TABLE G: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY (2005)

Company	Industry	No. of employees L.A. County	No. of employees Total	Headquarters
Kaiser Permanente	Health Care Provider	30,511	141,909	Oakland, CA
Northrop Grumman Corp.	Aerospace/Defense Contractor	21,000	125,000	Los Angeles, CA
Boeing Co.	Aerospace/Defense Contractor	16,636	153,000	Chicago, IL
Kroger Co.	Supermarket Operator	13,862	289,000	Cincinnati, OH
University of Southern California	Education-Private University	12,238	12,238	Los Angeles, CA
Vons	Supermarket Operator	12,224	32,137	Pleasanton, CA
Target Corp.	Retailer	11,526	338,000	Minneapolis, MN
Bank of America Corp.	Banking and Financial Services	10,801	177,795	Charlotte, NC
ABM Industries, Inc.	Building Maintenance & Engineering Services	10,100	73,000	San Francisco, CA
SBC Communications Inc.	Telecommunications	9,500	157,600	San Antonio, TX
Cedars-Sinai Health System	Medical Center	9,127	9,127	Los Angeles, CA
California Institute of Technology	Education-Private University	8,062	8,062	Pasadena, CA
Wells Fargo	Banking and Financial Services	7,797	152,227	San Francisco, CA
Fedex Corp.	Delivery Services	7,682	260,000	Memphis, TN
Albertson's Inc.	Supermarket Operator	7,748	230,000	Boise, Idaho
Providence Health System	Health Care Provider	7,277	33,940	Seattle, WA
Washington Mutual Inc.	Banking and Financial Services	7,000	47,321	Seattle, WA
Amgen Inc.	Biotechnology	6,700	14,890	Thousand Oaks,CA
Catholic Healthcare West	Health Care Provider	6,402	37,975	San Francisco, CA
Edison International	Electric Utility	6,574	14,570	Rosemead, CA
Lockheed Martin Corp.	Advanced Technology/Defense Contractor	5,500	135,000	Bethesda, MD
UPS	Delivery Services	5,400	384,000	Atlanta, GA
Long Beach Memorial Medical Ctr.	Medical Center	5,022	9,767	Huntington Beach, CA
Sempra Energy	Energy/Electric Utility	4,705	12,663	San Diego, CA
Citigroup	Banking and Financial Services	4,090	300,000	New York, NY

Source: Los Angeles Business Journal: "The Lists 2006"

TABLE H: SUMMARY OF AIRPORT AND PORT ACTIVITY (in thousands)

Type of Activity	2001	2002	2003	2004	2005
International Air Cargo (Tons)					
Los Angeles International Airport	949.6	974.8	987.9	1,070.0	1,123.9
As Percentage of Total Air Cargo	48.53%	49.68%	48.85%	50.59%	52.59%
Total Air Cargo (Tons)					
Los Angeles International Airport	1,956.6	1,962.4	2,022.1	2,115.3	2,137.2
Bob Hope Airport (Burbank)	34.4	43.1	47.6	49.6	52.9
Total	1,990.9	2,005.4	2,069.7	2,164.9	2,190.1
International Air Passengers					
Los Angeles International Airport	15,950.2	14,844.7	14,623.9	16,476.1	17,486.3
As Percentage of Total Passengers	25.89%	26.40%	26.60%	27.14%	28.44%
Total Air Passengers					
Los Angeles International Airport	61,606.3	56,223.8	54,970.0	60,704.6	61,489.4
Bob Hope Airport (Burbank)	4,487.3	4,620.7	4,729.9	4,916.8	5,512.6
Total	66,093.6	60,844.5	59,700.0	65,621.4	67,002.0
Container Volume (TEUs)					
Port of Los Angeles	5,183.5	6,105.9	7,178.9	7,321.4	7,484.6
Port of Long Beach	4,463.0	4,526.4	4,658.1	5,779.9	6,709.8
Total	9,646.5	10,632.2	11,837.1	13,101.3	14,194.4

Source: Los Angeles Economic Development Corporation

TABLE I: VALUE OF INTERNATIONAL TRADE AT MAJOR CUSTOMS DISTRICTS (in billions of $)

Customs District	2001	2002	2003	2004	2005
Los Angeles	212.5	214.3	235.0	264.2	293.9
New York	214.1	209.8	219.6	245.1	267.5
Detroit	168.5	179.3	186.5	205.6	228.5
Laredo	115.0	114.3	115.4	130.8	139.1
Houston	71.1	69.4	80.8	104.6	136.1
New Orleans	85.5	87.7	95.1	115.6	129.7
Chicago	70.5	72.5	79.6	95.2	108.7
Seattle	79.7	76.1	75.9	87.2	100.4

Source: Los Angeles Economic Development Corporation

TABLE J: COMPARATIVE TONNAGE OF MAJOR WEST COAST PORTS
Total Tonnage (in millions)

Port	2001	2002	2003	2004	2005
Los Angeles-Long Beach	142.4	152.2	163.9	177.6	186.7
Tacoma	23.1	24.3	27.6	30.7	34.2
San Francisco-Oakland	23.1	23.6	26.1	29.9	32.8
Seattle	18.5	18.2	19.8	24.0	29.5
Portland	18.1	17.5	19.0	20.4	18.8
San Diego	4.5	4.1	4.5	4.7	5.3
Port Hueneme	3.3	3.6	3.4	4.0	4.6

Source: Los Angeles Economic Development Corporation

TABLE K: COMPARISON OF INTERNATIONAL CONTAINER TRAFFIC AT MAJOR PORTS (in thousands)

Port	2001	2002	2003	2004	2005
Los Angeles-Long Beach	6,620.9	7,251.4	7,823.6	8,611.7	9,263.0
New York	2,323.0	2,632.8	2,819.4	3,146.2	3,390.3
Charleston	1,150.6	1,205.6	1,252.7	1,414.1	1,511.9
Savannah	811.5	1,019.0	1,130.6	1,287.5	1,482.7
Oakland	959.7	981.4	1,070.5	1,192.3	1,372.2
Seattle	823.5	853.1	818.7	1,044.2	1,339.6
Norfolk	883.6	989.4	1,095.6	1,200.3	1,318.8
Houston	762.8	849.3	943.4	1,089.9	1,231.2
Tacoma	609.2	769.3	937.0	937.2	1,154.4
Miami	710.8	759.6	771.4	799.8	770.8

Source: Los Angeles Economic Development Corporation

TABLE L: REAL ESTATE AND CONSTRUCTION INDICATORS IN LOS ANGELES COUNTY

Indicator	2001	2002	2003	2004	2005
1. Construction Lending (in millions)	$3,430	$3,537	$4,486	$6,237	$6,991
2. Residential Purchase Lending (in millions)	$27,798	$35,714	$42,987	$53,813	$62,457
3. New & Existing Home Prices (in millions)	$224,584	$262,157	$319,024	$396,417	$469,404
4. New & Existing Home Sales	111,751	121,789	125,493	122,294	120,675
5. Notices of Default Recorded	30,138	27,154	21,313	16,528	16,299
6. Unsold New Housing (at year-end)	1,171	545	528	628	1,115
7. Office Market Vacancy Rates	13.90%	16.40%	16.35%	15.40%	12.58%
8. Industrial Market Vacancy Rates	4.33%	4.25%	3.20%	2.78%	2.03%

Source: Real Estate Research Council of Southern California

TABLE M: BUILDING PERMITS AND VALUATIONS

	Type of Building	2001	2002	2003	2004	2005
1.	**Residential Permits (Units)**					
	a. New Single Family	8,184	8,217	10,217	11,752	11,932
	b. New Multi-Family	10,069	11,147	11,096	15,183	13,606
	Total	18,253	19,364	21,313	26,935	25,538
2.	**Residential Valuations (in millions of $)**					
	a. New Single Family	1,948	2,032	2,585	2,924	2,917
	b. New Multi-Family	1,079	1,095	1,179	1,916	1,792
	c. Alterations and Additions	972	1,172	1,390	1,728	1,962
	Subtotal (Residential Valuations)	3,999	4,299	5,154	6,568	6,671
3.	**Non-Residential Valuations (in millions of $)**					
	a. Office Buildings	547	209	182	307	233
	b. Retail Buildings	434	459	356	484	551
	c. Hotels and Motels	16	63	27	63	93
	d. Industrial Buildings	202	225	276	178	277
	e. Alterations and Additions	1,558	1,297	1,366	1,404	1,659
	f. Other	782	667	725	738	996
	Subtotal (Non-Residential Valuations)	3,539	2,920	2,932	3,174	3,809
Total Building Valuations (in millions)		7,538	7,219	8,086	9,741	10,480

Source: Real Estate Research Council of Southern California

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX B

COUNTY OF LOS ANGELES FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
CALIFORNIA

COUNTY OF LOS ANGELES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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CALIFORNIA

KPMG

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Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Honorable Members of the Board of Supervisors
County of Los Angeles, California:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Community Development Commission (CDC), Los Angeles County Employees' Retirement Association (LACERA), and the Children and Families First Commission (CFFC), which represent the following percentages, respectively, of the assets, net assets or fund balance and revenues of the following opinion units:

Opinion units	Assets	Net assets or fund balance	Revenues
Governmental activities	2%	8%	1%
Business-type activities	4	37	8
Descretely presented component unit	100	100	100
Aggregate remaining fund information	72	73	11

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for CDC, LACERA, and CFFC, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2005, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, the Fire Protection District, the Flood Control District, the Public Library, and the Regional Park and Open Space District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued that report dated December 9, 2005 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 20 and the schedule of funding progress on page 98 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Los Angeles' basic financial statements. The accompanying information identified in the table of contents as the introductory section, combining and individual fund statements and schedules, and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

December 9, 2005

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2005. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net assets (total assets less total liabilities) of the County were positive $2.38 billion. However, net assets are classified into three categories and the unrestricted component is negative $2.197 billion. See further discussion on page B-7.

During the current year, the County's net assets increased by a total of $1.134 billion. Net assets related to governmental activities increased by $1.028 billion, while net assets related to business-type activities increased by $106 million.

At the end of the current year, the County's General Fund reported a total fund balance of $2.327 billion. The amount of unreserved fund balance was $1.926 billion. Of the unreserved total, $1.017 billion was designated.

The County's capital asset balances were $4.508 billion at year-end and increased by $229 million during the year. Infrastructure assets are reflected only to the extent that they were acquired since July 1, 2001. Retroactive infrastructure reporting has been deferred until next year as discussed on page B-6.

During the current year, the County's total long-term debt decreased by $338 million. Bond maturities (including advance refunding of debt) of $1.151 billion exceeded the $813 million of newly issued and accreted long-term debt.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

This report also includes other supplementary information in addition to the basic financial statements.

<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all County assets and liabilities, with the difference representing net assets. Over time, increases and decreases in net assets may serve as an indicator of whether the financial position of the County is improving or deteriorating.

GOVERNMENT-WIDE FINANCIAL STATEMENTS-Continued

The Statement of Activities presents information that indicates how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that affect cash flows in future periods. For example, property tax revenues have been recorded that have been earned but not yet collected and workers' compensation expenses have been accrued but not yet paid.

The government-wide financial statements report the following different types of programs or activities:

- Governmental Activities - The majority of County services are reported under this category. Taxes and intergovernmental revenues are the major revenue sources that fund these activities which include general government, public protection, public ways and facilities, health and sanitation, public assistance, recreation, and cultural services.

- Business-type Activities - County services that are intended to recover costs through user charges and fees are reported under this category. The County Hospitals, the Waterworks Districts, the Aviation Fund, and housing programs operated by the Community Development Commission, a blended component unit, are regarded as business-type activities.

- Discretely Presented Component Unit - Component units are separate entities for which the County is financially accountable. The Children and Families First Commission is the only component unit that is discretely presented.

FUND FINANCIAL STATEMENTS

The fund financial statements contain information regarding major individual funds. A fund is a fiscal and accounting entity with a balanced set of accounts. The County uses separate funds to ensure compliance with fiscal and legal requirements.

The County's funds are classified by the following three categories:

- Governmental Funds - These funds are used to account for essentially the same services that were previously described as governmental activities above. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Governmental funds include the General Fund, as well as Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

FUND FINANCIAL STATEMENTS-Continued

- Proprietary Funds - These funds are used to account for functions that were classified as "business type activities" in the government-wide financial statements. The County's Internal Service Funds are also reported within the proprietary fund section. The County's six Hospital Funds are all considered major funds for presentation purposes. The remaining proprietary funds are combined in a single column, with individual fund details presented elsewhere in this report.

- Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and cannot be used to support the County's programs. The Pension Trust Fund, the Investment Trust Funds, and Agency funds are reported in this fund category, using the accrual basis of accounting.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $2.38 billion at the close of the most recent fiscal year.

Summary of Net Assets
As of June 30, 2004 and 2005
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 5,927,652	$ 5,342,504	$ 1,167,043	$ 1,294,232	$ 7,094,695	$ 6,636,736
Capital assets	3,354,024	3,306,500	1,153,680	972,593	4,507,704	4,279,093
Total assets	9,281,676	8,649,004	2,320,723	2,266,825	11,602,399	10,915,829
Current and other liabilities	1,073,978	1,172,476	180,493	174,608	1,254,471	1,347,084
Long-term liabilities	6,070,908	6,367,421	1,897,117	1,955,260	7,968,025	8,322,681
Total liabilities	7,144,886	7,539,897	2,077,610	2,129,868	9,222,496	9,669,765
Net assets:						
Invested in capital assets, net of related debt	2,556,556	2,384,009	793,517	622,282	3,350,073	3,006,291
Restricted net assets	1,152,845	928,616	74,173	105,557	1,227,018	1,034,173
Unrestricted net assets (deficit)	(1,572,611)	(2,203,518)	(624,577)	(590,882)	(2,197,188)	(2,794,400)
Total net assets	2,136,790	1,109,107	243,113	136,957	2,379,903	1,246,064
Total liabilities and net assets	$ 9,281,676	$ 8,649,004	$ 2,320,723	$ 2,266,825	$ 11,602,399	$ 10,915,829

As indicated above, the County's total net assets consist of the following three components:

Capital Assets, Net of Related Debt

The largest portion of the County's net assets ($3.35 billion) represents its investment in capital assets (e.g., land, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County began to capitalize newly acquired infrastructure assets during 2001-2002 in accordance with GASB 34. However, infrastructure assets acquired prior to July 1, 2001 are not yet reflected in the basic financial statements. GASB 34 provides a maximum period of four years for the County to identify and report infrastructure assets acquired before July 1, 2001, in the basic financial statements. The County is in the process of evaluating its infrastructure assets that were acquired in prior years to ensure that they are reported prior to the year ending June 30, 2006. Additional infrastructure assets, net of related debt, will increase this category of net assets.

Restricted Net Assets

The County's restricted net assets at year-end were $1.227 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net assets that pertain to the various separate legal entities included in the basic financial statements are also generally restricted because their funding sources require that funds be used for specific purposes.

Unrestricted Net Assets (Deficit)

The County's unrestricted net assets are negative $2.197 billion. Both governmental and business-type activities reported deficits in this category of $1.573 billion and $624 million, respectively. The deficits are primarily due to unfunded liabilities related to workers' compensation, accrued vacation and sick leave, and litigation and self-insurance claims. For the business-type activities, medical malpractice liabilities and third party payor liabilities are additional factors. At June 30, 2005, there were $4.224 billion of liabilities recorded for all of the items noted above and for all activities. Of this amount, the County's budget had funded approximately $349 million as of June 30, 2005, which consists of $142 million related to governmental activities and $207 million related to business-type activities. The $142 million represents the County's policy of funding the General Fund's share of liabilities that are payable within one year from the balance sheet date and is applied to accrued vacation and sick leave as well as litigation and self-insurance claims. The budgetary funding of $207 million that has been provided for the business-type activities pertains to estimated third party payor liabilities for the County's hospitals.

In addition to the aforementioned liabilities, the County has recorded pension bonds payable of $1.629 billion. Although the County has also recognized a pension related asset (referred to as "Net Pension Obligation"), the liability for the bonds exceeds the asset amount by $1.216 billion. This difference consists of accreted interest (interest expense that accrues each year but is not payable until deferred periods) of $617 million that is reported as part of the Pension Bonds Payable. Bond proceeds of $400 million were applied to fund the County's pension cost in 1994-95, thereby reducing the pension asset amount. The remaining difference of $199 million is due to timing differences between the amortization of the pension asset and the principal amount of the pension bonds.

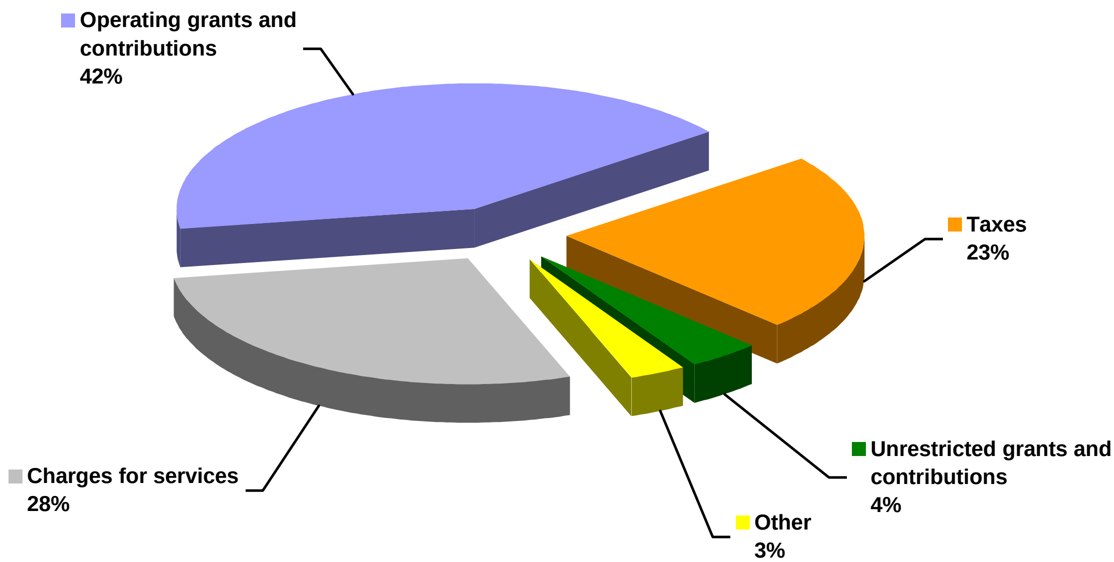
For the governmental activities, voter-approved bonds issued by the Regional Park and Open Space District have had the effect of creating additional deficits. Although the County is required to record liabilities of $350 million for outstanding bonds, the County's related assets are only $121 million. The difference of $229 million represents bond proceeds that have been distributed to cities and other eligible entities pursuant to the voter-approved bond measure. The bond covenants require the County to levy property taxes in future years to specifically repay the principal and interest on the bonds. Accordingly, the deficit related to these bonds is expected to be funded by the dedicated tax levy and will not require the use of discretionary County funds.

The following table indicates the changes in net assets for governmental and business-type activities:

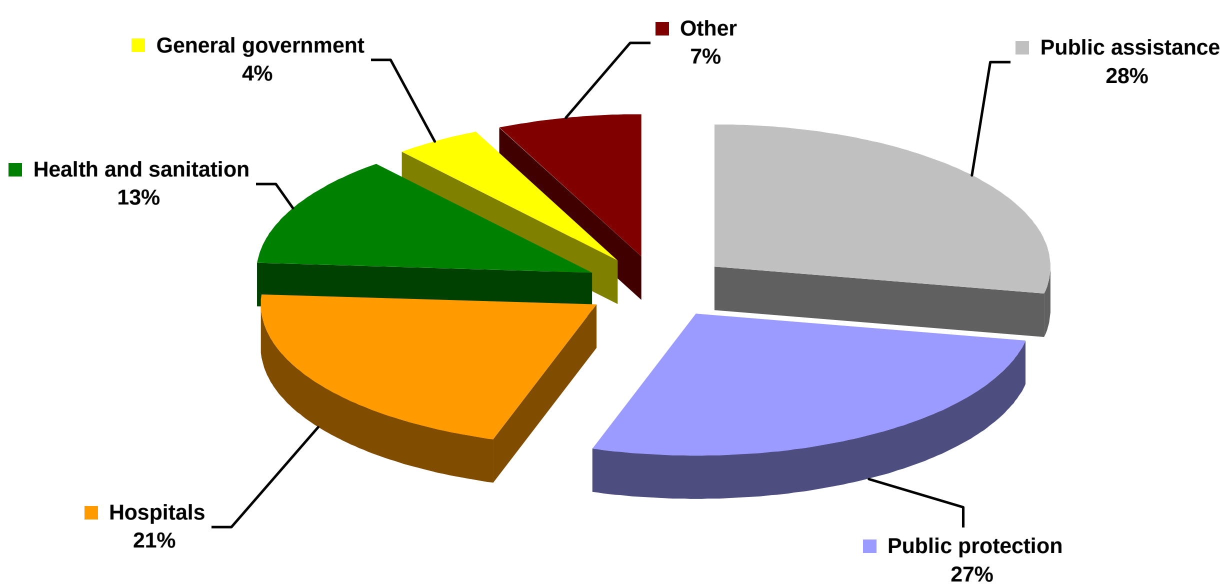
Summary of Changes in Net Assets
For the Years Ended June 30, 2004 and 2005
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	$ 2,087,578	$ 1,998,085	$ 2,458,921	$ 2,454,197	$ 4,546,499	$ 4,452,282
Operating grants and contributions	6,551,225	6,362,285	262,636	277,427	6,813,861	6,639,712
Capital grants and contributions	44,072	59,650	138,723	83,537	182,795	143,187
General revenues:						
Taxes	3,804,859	2,912,645	701	2,845	3,805,560	2,915,490
Intergovernmental-motor vehicle in-lieu taxes, not restricted		573,859				573,859
Unrestricted grants and contributions	731,767	711,961	34	32	731,801	711,993
Investment earnings	137,382	57,807	6,416	1,452	143,798	59,259
Miscellaneous	130,904	186,406	54,103	53,401	185,007	239,807
Total revenues	13,487,787	12,862,698	2,921,534	2,872,891	16,409,321	15,735,589
Expenses:						
General government	666,778	650,096			666,778	650,096
Public protection	4,159,675	4,044,824			4,159,675	4,044,824
Public ways and facilities	249,065	222,416			249,065	222,416
Health and sanitation	1,941,315	1,918,831			1,941,315	1,918,831
Public assistance	4,398,391	4,383,626			4,398,391	4,383,626
Education	86,707	77,207			86,707	77,207
Recreation and cultural services	236,421	229,541			236,421	229,541
Interest on long-term debt	223,696	240,494			223,696	240,494
Hospitals			3,235,176	3,063,732	3,235,176	3,063,732
Aviation			5,747	5,155	5,747	5,155
Waterworks			43,444	45,473	43,444	45,473
Community Development Commission			217,560	222,207	217,560	222,207
Total expenses	11,962,048	11,767,035	3,501,927	3,336,567	15,463,975	15,103,602
Excess (deficiency) before transfers and special item	1,525,739	1,095,663	(580,393)	(463,676)	945,346	631,987
Transfers	(686,549)	(712,834)	686,549	712,834		
Special item	188,493				188,493	
Changes in net assets	1,027,683	382,829	106,156	249,158	1,133,839	631,987
Net assets (deficit) – beginning	1,109,107	726,278	136,957	(112,201)	1,246,064	614,077
Net assets – ending	$ 2,136,790	$ 1,109,107	$ 243,113	$ 136,957	$ 2,379,903	$ 1,246,064

REVENUES BY SOURCE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005



EXPENSES BY TYPE – ALL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005



The County's net assets increased by $1.134 billion overall during the current fiscal year. The increases for governmental and business-type activities were $1.028 billion and $106 million, respectively. Following are specific major factors that resulted in the net asset changes.

Governmental Activities

Revenues from governmental activities grew by $625 million (4.9%) over the prior year. The most significant changes in revenue were experienced in the following areas:

- Taxes, the County's largest general revenue source, were $892 million higher than the previous year. State legislation, which became effective in the current year, eliminated the County's revenue source referred to as "Intergovernmental-motor vehicle in-lieu taxes, not restricted." This revenue source was replaced with an equivalent amount of property tax revenues and represented $733 million dollars in the current year. The additional growth in tax revenues, $159 million, was mainly due to increased property taxes as there was a continued upward trend in the County's assessed property values. The $159 million in year-to-year growth was achieved despite a State-mandated shift of local government property taxes in the current year. The County's share of this shift was $103 million and had the effect of reducing property taxes in the current year.

- Operating grants and contributions are the County's largest source of program revenues and grew by $189 million. The growth in this revenue source was primarily associated with reimbursable activities in the public assistance and public protection areas, which increased by $103 million and $63 million, respectively.

- Current year investment earnings increased by $80 million, or 138%. The yield from the County's Treasury Pool improved from 1.37% in the prior year to 2.16% in the current year.

Expenses related to governmental activities increased by $195 million (1.7%) during the current year. Expenses were higher across all areas in the current year when compared with the prior year, except for interest on long-term debt, which declined by $17 million. The pattern of cost increases was generally reflective of overall inflationary increases in salaries, benefits, services and supplies. Although there was no significant program expansion during the current year, the County's spending plan was designed to restore service levels that were previously curtailed due to uncertainties with the State's financial condition.

As discussed in Note 17 to the basic financial statements, the County recognized a Special Item totaling $188 million in the current year. There were unique circumstances that resulted in the recognition and classification of this transaction. In 2003-2004, the State withheld approximately $204 million of revenues that were allocable to the County. The State acted similarly with all other counties in order to mitigate a severe budget deficit. Due to significant uncertainty with regard to the State's ability and willingness to pay this amount, the County deferred recognition of these revenues in the 2003-2004 basic financial statements. The State subsequently passed legislation in August 2004, that authorized the County to sell its right to receive these revenues. The County utilized a component unit entity to facilitate the sale of no-commitment notes that were not obligations of the County or the component unit. The note proceeds were used to purchase the receivables and the County received net proceeds of $188 million, which are legally restricted for capital purposes. In July 2005, the State remitted $204.7 million, and this payment fully satisfies the State's obligation for this matter.

Business-type Activities

Revenues from business-type activities increased in comparison to the prior year by $49 million (1.7%). The most significant change was in the area of capital grants and contributions, which increased by $55 million. The increase was attributable to intergovernmental revenues (primarily from the Federal Emergency Management Agency) associated with the rebuilding of the LAC+USC Medical Center. Construction activity and reimbursable costs related to this project continued to accelerate during the current year.

Expenses related to business-type activities increased from the previous year by $165 million (5.0%). The increased expenses were concentrated in the Hospitals, where expenses were higher by $171 million. Hospital costs for salaries and employee benefits increased by $57 million and were reflective of anticipated wage and benefit increases. Professional and specialized services expenses were $102 million higher in the current year as there was increased dependency on contracted personnel, especially in the skilled nursing area.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Funds.

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $4.162 billion, an increase of $750 million in comparison with the prior year. Of the total fund balance, $1.119 billion is reserved to indicate the extent that funds have been committed or are otherwise unavailable for spending. An additional $1.259 billion has been designated and set aside for intended spending purposes as indicated in the financial statements. The remaining $1.784 billion of the balances are unreserved and undesignated.

Revenues from all governmental funds for the current year were $13.418 billion, an increase of $610 million (4.8%) from the previous year. Expenditures for all governmental funds in the current year were $12.228 billion, an increase of $324 million (2.7%) from the previous year. In addition, other financing uses exceeded other financing sources by $628 million, as compared to $681 million in the prior year. As discussed in Note 17 to the basic financial statements, the County recognized a Special Item in the current year, which consisted of net proceeds approximating $188 million from the sale of accounts receivable.

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $439 million (23.3%). At the end of the current fiscal year, the General Fund's total fund balance was $2.327 billion. Of this amount, $401 million was reserved and therefore unavailable for spending. Of the unreserved total of $1.926 billion, $1.017 billion has been designated (earmarked) and the remaining $909 million is considered both unreserved and undesignated.

Governmental Funds-Continued

General Fund revenues during the current year were $11.497 billion, an increase of $491 million (4.5%) from the previous year. General Fund expenditures during the current year were $10.411 billion, an increase of $204 million (2.0%) from the previous year. Other financing sources/uses-net was negative $647 million in the current year as compared to negative $608 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $828 million, primarily from property taxes. As discussed previously, State legislation shifted a significant portion of General Fund revenues that were formerly recognized as "Intergovernmental Revenues-State" to the category of property taxes. This shift accounted for approximately $733 million of the year-to-year increase. The remainder of the increase ($95 million) was attributable to ongoing growth in property values and their related tax levies. The General Fund also was required to forego $103 million of current year property tax revenues due to a State-imposed property tax shift.

- Intergovernmental revenues decreased by nearly $400 million. As mentioned previously, the County did not recognize intergovernmental revenues in the current year for vehicle license fees. In the prior year, such revenues were $574 million. This reduction was offset by a $126 million increase in State realignment revenues for children and family services, in-home supportive services, and mental health services. State public safety augmentation funding also increased by $53 million.

- Investment income more than doubled, as current year revenues were $88 million in comparison with the prior year amount of $40 million. As previously mentioned, the yield on investments increased significantly and the amount of funds available for investment was generally higher throughout the year.

- Current expenditures increased by $208 million and there were increases in all functional areas except for general government. The most significant increases were in the areas of public protection and public assistance, where expenditures were higher by $144 million and $53 million, respectively.

The Fire Protection District reported a year-end fund balance of $103 million, which represented an increase of $35 million from the previous year. This increase coincided with a $35 million increase (7.4%) in revenues from taxes.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Proprietary Funds-Continued

The County's principal proprietary funds are the six hospital enterprise funds and each one has been reported as a major fund. As discussed in Note 11 to the basic financial statements, the County merged High Desert Hospital with the Olive View/UCLA Medical Center at the end of the current fiscal year. Each hospital enterprise fund incurred a net loss prior to contributions and transfers. The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year. The total subsidy amount was $548 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "transfers in." Additional "transfers in" of $145 million were recognized from the Health Services Measure B Special Revenue Fund ("Measure B Fund"), which provides funding for trauma and emergency services.

The average daily census for the County's Hospitals slightly declined from the previous year's average of 1,567 to the current year average of 1,504. There was a year-to-year average daily census decrease for the Martin Luther King/Drew Medical Center (MLK/Drew), as it declined from 202 to 172. There was significant focus on MLK/Drew throughout the year as the County discontinued trauma services, engaged the services of a management consulting firm, and focused on remedying various operational problems at this facility.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 13 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net increase of $36 million in the General Fund's available (unreserved and undesignated) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund revenues and other financing sources (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 236,548	$ 2,910,247	$ 2,829,342	$ (80,905)
Intergovernmental revenues	170,894	7,375,414	6,842,809	(532,605)
Charges for services	(54,501)	1,279,998	1,272,536	(7,462)
All other revenues	139,251	543,026	589,740	46,714
Other sources and transfers	(147,487)	385,848	305,457	(80,391)
Total	$ 344,705	$ 12,494,533	$ 11,839,884	$ (654,649)

Changes from Amounts Originally Budgeted

During the year, net increases in budgeted revenues and other financing sources approximated $345 million. The most significant increases occurred in the following areas:

- The budget for tax revenues was increased by $237 million. During the fiscal year, the County increased budgeted tax revenues by approximately $100 million to finance additional appropriations and designations. The remaining $137 million increase occurred in conjunction with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues.

- Estimated revenues from intergovernmental sources were increased by $171 million. During the fiscal year, approximately $59 million of State grant funds were used to augment the budget for various parks and recreation facilities. Approximately $68 million of State funding was added to programs operated by the Departments of Mental Health and Health Services. Estimated revenues from Homeland Security grant funds ($18 million) also increased during the fiscal year to fund the County's emergency preparedness and response operations. Various other changes comprised the remaining $26 million that was increased from the amounts originally budgeted from intergovernmental revenues.

- The increase of $139 million related to "all other revenues" was mostly attributable to tobacco settlement revenues of $103 million. The County's policy is to budget tobacco settlement revenues after they have been received. Miscellaneous amounts totaling $36 million were also added to this revenue category.

- The amount budgeted for "other sources and transfers" was reduced during the year by $147 million. The original amount budgeted for "transfers in" was reduced by $203 million due to a change in the method of budgeting for the recovery of intergovernmental transfer payments that are made on behalf of the Hospital Funds. This amount was offset by a $50 million miscellaneous increase in the amount of budgeted "transfers in" to reflect newly available resources from a Capital Projects Fund that was established mid-year. There were also miscellaneous budgetary additions of $6 million to the "transfers in" category.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $655 million, or 5.2%, lower than budget. As discussed below, most of this variance was concentrated in the area of intergovernmental revenues.

- Actual intergovernmental revenues were $533 million lower than the amount budgeted. Social service programs accounted for approximately $208 million of this variance, which was mostly attributable to lower than anticipated caseloads and reimbursable social service related expenditures. An additional $198 million pertained to anticipated reimbursement of capital improvement and disaster recovery projects that were not completed prior to year-end. The remaining variance of $127 million (mostly federal assistance) was associated with mental health services, due to lower than expected reimbursable costs.

Budgetary Summary - Expenditures/Other Financing Uses

Following is a summary of current year budgetary changes and actual results (on the County's budgetary basis) for General Fund expenditures, transfers out, contingencies, reserves, and designations (in thousands):

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (86,621)	$ 917,890	$ 650,969	$ 266,921
Public protection	75,990	3,578,881	3,438,210	140,671
Health and sanitation	(253,892)	2,224,987	2,125,863	99,124
Public assistance	22,181	4,733,753	4,319,570	414,183
All other expenditures	133,764	779,673	293,419	486,254
Transfers out	75,380	645,275	645,027	248
Contingencies	87,140	103,361		103,361
Reserves/designations-net	290,763	382,997	330,500	52,497
Total	$ 344,705	$ 13,366,817	$11,803,558	$ 1,563,259

Changes from Amounts Originally Budgeted

During the year, net increases in General Fund appropriations, reserves and designations were approximately $345 million. As discussed below, the most significant changes occurred in the following areas:

- Provisions for net reserves and designations were increased during the year by $291 million. Of this amount, $153 million was related to designations established for health services. There was also a net increase of $79 million to the designation for budgetary uncertainties. A new designation of $40 million was established for the replacement of the interoperable Fire/Sheriff communication system. Miscellaneous additions of approximately $19 million were made to other designations.

- Appropriations were increased for "all other expenditures" by approximately $134 million, nearly all of which was associated with capital outlay. The most significant increase was related to $59 million of parks and recreation capital facilities and improvements funded by State grants. The remaining $75 million consisted of numerous capital improvements and refurbishments that were added to the budget throughout the fiscal year.

- Overall appropriations were reduced for the health and sanitation category by $254 million. At the end of the fiscal year, the budget was realigned to reflect actual spending requirements in this area. The most significant change in this area was a $203 million reduction of appropriations for intergovernmental transfer payments made on behalf of the Hospital Funds. The reduction coincided with a budgetary change which shifted the payment requirements from the General Fund to the Hospital Funds. Appropriations for various other General Fund health care programs were reduced by $51 million.

- After the original budget was established, appropriations for contingencies were increased by $87 million. The increase occurred at the end of the fiscal year and was financed by offsetting increases in budgeted revenues (primarily taxes) that were recognized to comply with statutory requirements.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $1.563 billion lower (approximately 11.7%) than the final total budget of $13.367 billion. Although there were budgetary savings in all categories, following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of $486 million less than the budgeted amount. Nearly all ($475 million) of this variance was related to the capital outlay category. There were many capital improvements anticipated in the budget that remained in the planning stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects.

- Actual public assistance expenditures were $414 million lower than the final budget. Most of this variance ($310 million) was concentrated in programs operated by the Department of Public Social Services. Factors that led to this variance included lower than anticipated caseload volume and average cost per caseload for the CalWORKs program. Administrative costs for social service programs were also lower than anticipated due to staffing vacancies and budgetary savings in contracted services. The remaining variance of $104 million was concentrated in other social service programs that were primarily focused on children and family services.

- The general government function reported actual expenditures that were $267 million less than the amount budgeted. Of this amount, $170 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and extraordinary maintenance and repairs. The remaining $97 million was spread across virtually every department comprising general government and was mostly related to salary savings and savings in services and supplies.

Capital Assets

The County's capital assets for its governmental and business type activities as of June 30, 2005 were $4.508 billion (net of depreciation). Capital assets include land, buildings and improvements, machinery and equipment. Infrastructure assets have also been recognized for activity that has occurred from July 1, 2001 through June 30, 2005. Specific changes related to governmental and business-type activities are presented in Note 5 to the basic financial statements. As discussed earlier, the County has deferred recognition of infrastructure assets acquired prior to July 1, 2001 until fiscal year 2005-2006.

The total increase in the County's capital assets (net of depreciation) for the current fiscal year was $229 million or 5.3%, as shown in the table below.

Changes in Capital Assets, Net of Depreciation
Primary Government - All Activities
(in thousands)

	Current Year	Prior Year	Increase (Decrease)
Land	$ 403,922	$ 395,135	$ 8,787
Buildings and improvements	2,978,948	2,986,380	(7,432)
Infrastructure	185,988	136,781	49,207
Equipment	249,754	258,123	(8,369)
Construction-in-progress	689,092	502,674	186,418
Total	$ 4,507,704	$ 4,279,093	$ 228,611

Major capital asset projects that represented new additions during the year included the following:

- New infrastructure costs were capitalized for completed projects and also for those that remained in progress at the end of the year. The projects were related to the County's Road Fund and Flood Control District's operations. The values of the new construction for these activities were $18 million and $31 million, respectively.

- The County continued to progress with the rebuilding of the LAC+USC Medical Center. The overall project cost remains at an estimated $821 million. During the year, $185 million of costs were capitalized.

Debt Administration

The following table indicates the changes in the County's long-term debt during the year:

Changes in Long-Term Debt
Primary Government - All activities
(in thousands)

	Current Year	Prior Year	Decrease
Bonds and Notes Payable	$ 1,983,844	$ 2,136,123	$ 152,279
Pension Bonds Payable	1,628,575	1,813,812	185,237
Total	$ 3,612,419	$ 3,949,935	$ 337,516

During the current year, the County's liabilities for long-term debt decreased by $338 million, or 8.5%. Specific changes related to governmental and business-type activities are presented in Note 8 to the basic financial statements. During the current year, significant long-term debt transactions were as follows:

- Refunding bonds totaling $575 million were issued to advance outstanding bond principal of $622 million.
- New debt of $60 million was issued to finance the ongoing construction of the LAC+USC Medical Center. At this time, short-term commercial paper continues to be the method of financing this major project.
- New debt of $12.3 million was issued to finance the acquisition of equipment. Equipment debt totaling $16.5 million was redeemed during the year in accordance with maturity schedules.
- Pension bonds totaling $271 million were redeemed during the year. This amount was offset by $86 million related to the accretion of interest on outstanding bonds.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $600 million in tax and revenue anticipation notes which reached maturity on June 30, 2005, and by periodic borrowing from available trust funds.

Bond Ratings

The County's debt is rated by Moody's, Standard and Poor's, and Fitch. The following is a schedule of ratings:

	Moody's	Standard and Poor's	Fitch
General Obligation Bonds	Aa3	A+	
Pension Bonds	A1	A	
Facilities	A2	A	A
Equipment/Non-Essential Leases	A3	A	A
Short-Term	MIG1	SP-1+	F-1+
Commercial Paper	P-1	A-1+	
Flood Control District General Obligation Bonds	Aa1	AA	AA
Flood Control District Revenue Bonds	Aa1	AA-	AA
Regional Park and Open Space District Bonds	Aa3	AA	AA

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2005-2006 Budget on June 20, 2005. The Budget was adopted based on estimated fund balances that would be available at the end of 2004-2005. The Board updated the Budget on September 20, 2005 to reflect final 2004-2005 fund balances and other pertinent financial information. For the County's General Fund, the 2005-2006 Budget, as updated in September 2005, utilized $908.6 million of available fund balance, which exceeded the previously estimated fund balance of $747.1 million. The additional fund balance of $161.5 million was used to appropriate $23.4 million to carryover lapsed appropriations and $138.1 million was appropriated for one-time needs which were predominately capital improvements.

Although the County's Budget continued to be impacted by the State budget outlook, the State's budget was adopted on July 10, 2005, the earliest budget adoption in five years. The State's action enabled the County to formulate the 2005-2006 Budget with more certainty than in recent years. The County will be required to forego $103 million of property tax revenues as its share of a property tax revenue shift from local governments to the State. This shift represents the second year of a two-year State Budget provision known as the "Local Government Agreement" and the funding for the second year was set aside as part of the County's 2004-2005 budget process.

Obtaining Additional Information

This financial report is designed to provide a general overview of the County's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
JUNE 30, 2005 (in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION
ASSETS				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 2,725,420	$ 145,650	$ 2,871,070	$ 726,920
Other (Note 1)	1,130,977	66,032	1,197,009	
Total pooled cash and investments	3,856,397	211,682	4,068,079	726,920
Other investments (Note 4)	293,555	19,914	313,469	
Taxes receivable	263,962	1,153	265,115	
Accounts receivable - net		617,633	617,633	
Interest receivable	13,147	433	13,580	4,339
Other receivables	1,228,922	23,364	1,252,286	32,170
Internal balances	(135,586)	135,586		
Inventories	93,213	25,352	118,565	5
Restricted assets (Note 4)	7,792	24,890	32,682	
Net pension obligation (Note 6)	306,250	107,036	413,286	
Capital assets: (Notes 5 and 7)				
Land and construction in progress	433,904	659,110	1,093,014	2,039
Other capital assets, net of depreciation	2,920,120	494,570	3,414,690	11,328
Total capital assets	3,354,024	1,153,680	4,507,704	13,367
TOTAL ASSETS	9,281,676	2,320,723	11,602,399	776,801
LIABILITIES				
Accounts payable	296,114	73,856	369,970	14,807
Accrued payroll	384,795	87,773	472,568	
Other payables	67,302	7,645	74,947	
Accrued interest payable	19,309	1,243	20,552	
Deferred revenue (Note 6)	64,016	9,976	73,992	
Advances payable	242,442		242,442	
Noncurrent liabilities: (Notes 6, 7, 8, 11 and 15)				
Due within one year	957,167	413,107	1,370,274	42
Due in more than one year	5,113,741	1,484,010	6,597,751	158
TOTAL LIABILITIES	7,144,886	2,077,610	9,222,496	15,007
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 8)	2,556,556	793,517	3,350,073	13,367
Restricted for:				
Capital projects	190,492		190,492	
Debt service	8,108	56,713	64,821	
Expendable trust	2,171		2,171	
Nonexpendable trust	3,339		3,339	
Special purpose	948,735	17,460	966,195	748,427
Unrestricted (deficit)	(1,572,611)	(624,577)	(2,197,188)	
TOTAL NET ASSETS	$ 2,136,790	$ 243,113	$ 2,379,903	$ 761,794

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

		PROGRAM REVENUE		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 666,778	$ 371,338	$ 51,373	$ 7,860
Public protection	4,159,675	1,112,288	1,080,563	5,656
Public ways and facilities	249,065	29,975	154,155	735
Health and sanitation	1,941,315	378,324	1,292,024	6,832
Public assistance	4,398,391	32,379	3,969,598	
Education	86,707	3,275	1,699	
Recreation and cultural services	236,421	159,999	1,813	22,989
Interest on long-term debt	223,696			
Total governmental activities	11,962,048	2,087,578	6,551,225	44,072
Business-type activities:				
Hospitals	3,235,176	2,390,770	49,818	137,795
Aviation	5,747	2,714	46	928
Waterworks	43,444	55,262		
Community Development Commission	217,560	10,175	212,772	
Total business-type activities	3,501,927	2,458,921	262,636	138,723
Total primary government	$ 15,463,975	$ 4,546,499	$ 6,813,861	$ 182,795
COMPONENT UNIT -				
Children and Families First Commission	$ 99,771	$	$ 163,786	$

GENERAL REVENUES:
Taxes:
Property taxes
Sales and use taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Grants and contributions not restricted to special programs
Investment earnings
Miscellaneous
SPECIAL ITEM - Gain on sale of receivables (Note 17)
TRANSFERS - NET
Total general revenues, special item and transfers
CHANGE IN NET ASSETS
NET ASSETS, JULY 1, 2004
NET ASSETS, JUNE 30, 2005

The notes to the basic financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

PRIMARY GOVERNMENT			COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CHILDREN AND FAMILIES FIRST COMMISSION	FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (236,207)	$	$ (236,207)		General government
(1,961,168)		(1,961,168)		Public protection
(64,200)		(64,200)		Public ways and facilities
(264,135)		(264,135)		Health and sanitation
(396,414)		(396,414)		Public assistance
(81,733)		(81,733)		Education
(51,620)		(51,620)		Recreation and cultural services
(223,696)		(223,696)		Interest on long-term debt
(3,279,173)		(3,279,173)		Total governmental activities
				Business-type activities:
	(656,793)	(656,793)		Hospitals
	(2,059)	(2,059)		Aviation
	11,818	11,818		Waterworks
	5,387	5,387		Community Development Commission
	(641,647)	(641,647)		Total business-type activities
(3,279,173)	(641,647)	(3,920,820)		Total primary government
				COMPONENT UNIT -
			$ 64,015	Total - Children & Families First Commission
				GENERAL REVENUES:
				Taxes:
3,287,380	701	3,288,081		Property taxes
70,748		70,748		Sales and use taxes
56,271		56,271		Utility users taxes
248,895		248,895		Voter approved taxes
90,309		90,309		Documentary transfer taxes
51,256		51,256		Other taxes
731,767	34	731,801		Grants and contributions not restricted to special programs
137,382	6,416	143,798	13,159	Investment earnings
130,904	54,103	185,007		Miscellaneous
188,493		188,493		SPECIAL ITEM - Gain on sale of receivables (Note 17)
(686,549)	686,549			TRANSFERS - NET
4,306,856	747,803	5,054,659	13,159	Total general revenues, special item and transfers
1,027,683	106,156	1,133,839	77,174	CHANGE IN NET ASSETS
1,109,107	136,957	1,246,064	684,620	NET ASSETS, JULY 1, 2004
$ 2,136,790	$ 243,113	$ 2,379,903	$ 761,794	NET ASSETS, JUNE 30, 2005

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
ASSETS:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 1,241,711	77,555	115,635	11,682
Other (Note 1)	892,466	27,709	7,229	3,011
Total pooled cash and investments	2,134,177	105,264	122,864	14,693
Other investments (Note 4)	6,594			120
Taxes receivable	187,441	43,197	13,599	5,975
Interest receivable	9,444	199	281	37
Other receivables	1,093,268	18,893	3,174	98
Due from other funds (Note 12)	556,210	5,313	8,424	2,096
Advances to other funds (Note 12)	445,337		6,544	
Inventories	39,713	5,726		1,293
TOTAL ASSETS	$ 4,472,184	178,592	154,886	24,312
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 241,753	3,763	3,592	2,353
Accrued payroll	328,578	33,975		3,586
Other payables	62,092	1,364		189
Due to other funds (Note 12)	1,001,456	3,879	16,550	3,302
Advances from other funds (Note 12)				
Deferred revenue (Note 6)	259,897	30,967	13,448	4,457
Advances payable	235,029			
Third party payor liability (Notes 8 and 11)	16,650	1,455		
TOTAL LIABILITIES	2,145,455	75,403	33,590	13,887
FUND BALANCES:				
Reserved for:				
Encumbrances	333,499	35,588	91,505	5,896
Inventories	39,713	5,726		1,293
Housing programs				
Debt service				
Endowments and annuities				
Assets unavailable for appropriation	27,415	25	3,008	15
Unreserved, designated for:				
Budget uncertainties	496,672	50,000		
Program expansion	190,548			1,102
Health services	329,806			
Capital projects			18,099	
Special revenue funds - program expansion				
Unreserved, undesignated, reported in:				
General fund	909,076			
Special revenue funds		11,850	8,684	2,119
Capital projects funds				
TOTAL FUND BALANCES	2,326,729	103,189	121,296	10,425
TOTAL LIABILITIES AND FUND BALANCES	$ 4,472,184	178,592	154,886	24,312

The notes to the basic financial statements are an integral part of this statement.

	REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 236,574	1,157,372		$ 2,840,529
Other (Note 1)	2,327	30,934		963,676
Total pooled cash and investments	238,901	1,188,306		3,804,205
Other investments (Note 4)		629,365	(349,690)	286,389
Taxes receivable	2,778	10,972		263,962
Interest receivable	640	2,447		13,048
Other receivables	4,850	62,889		1,183,172
Due from other funds (Note 12)	2,257	24,190		598,490
Advances to other funds (Note 12)		10,530		462,411
Inventories		39,721		86,453
TOTAL ASSETS	$ 249,426	1,968,420	(349,690)	$ 6,698,130
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 506	42,010		$ 293,977
Accrued payroll		452		366,591
Other payables		1,464		65,109
Due to other funds (Note 12)	4,508	167,856		1,197,551
Advances from other funds (Note 12)		2,100		2,100
Deferred revenue (Note 6)	5,610	32,938		347,317
Advances payable		7,413		242,442
Third party payor liability (Notes 8 and 11)		2,512		20,617
TOTAL LIABILITIES	10,624	256,745		2,535,704
FUND BALANCES:				
Reserved for:				
Encumbrances	91,734	147,549		705,771
Inventories		39,721		86,453
Housing programs		2,079		2,079
Debt service		609,183	(349,690)	259,493
Endowments and annuities		3,339		3,339
Assets unavailable for appropriation		30,969		61,432
Unreserved, designated for:				
Budget uncertainties				546,672
Program expansion	19,346			210,996
Health services				329,806
Capital projects				18,099
Special revenue funds - program expansion		153,992		153,992
Unreserved, undesignated, reported in:				
General fund				909,076
Special revenue funds	127,722	459,961		610,336
Capital projects funds		264,882		264,882
TOTAL FUND BALANCES	238,802	1,711,675	(349,690)	4,162,426
TOTAL LIABILITIES AND FUND BALANCES	$ 249,426	1,968,420	(349,690)	$ 6,698,130

COUNTY OF LOS ANGELES

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005 (in thousands)

Fund balances - total governmental funds (page B-27)		$ 4,162,426
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land	$ 286,549	
Construction-in-progress	147,355	
Buildings and improvements - net	2,513,541	
Equipment - net	143,385	
Infrastructure - net	185,988	3,276,818
Other long-term assets are not available to pay for current-period expenditures and are deferred, or not recognized, in governmental funds:		
Deferred revenue - taxes	$ 188,722	
Long-term receivables	140,959	329,681
The net pension obligation (an asset) pertaining to governmental fund types is not recorded in governmental fund statements.		285,689
Accrued interest payable is not recognized in governmental funds.		(19,309)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable	$ (1,566,981)	
Pension bonds payable	(1,125,771)	
Capital lease obligations	(130,454)	
Accrued vacation/sick leave	(572,073)	
Workers' compensation	(2,037,940)	
Litigation/self-insurance	(381,036)	
Third party payors	(1,061)	(5,815,316)
Assets and liabilities of the internal service funds are included in governmental activities in the accompanying statement of net assets.		(83,199)
Net assets of governmental activities (page B-23)		$ 2,136,790

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	PUBLIC LIBRARY
REVENUES:				
Taxes	$ 2,816,095	503,084	68,576	56,991
Licenses, permits and franchises	58,422	8,802	309	
Fines, forfeitures and penalties	220,622	2,751	1,205	469
Revenue from use of money and property:				
Investment income (Note 4)	88,042	934	2,509	245
Rents and concessions (Note 7)	15,605	87	5,009	17
Royalties	216		182	
Intergovernmental revenues:				
Federal	2,662,720	2,420	4,065	101
State	4,072,855	13,424	2,633	2,116
Other	82,975	19,921	2,142	903
Charges for services	1,272,536	130,389	112,652	3,105
Miscellaneous	207,201	229	1,128	611
TOTAL REVENUES	11,497,289	682,041	200,410	64,558
EXPENDITURES:				
Current:				
General government	634,113			
Public protection	3,239,152	608,571	182,491	
Public ways and facilities				
Health and sanitation	1,844,546			
Public assistance	4,257,038			
Education				85,066
Recreation and cultural services	172,338			
Debt service:				
Principal	176,504	8,717		1,937
Interest and other charges	68,873	2,111		469
Capital leases	11,449			
Capital outlay	7,329			
TOTAL EXPENDITURES	10,411,342	619,399	182,491	87,472
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,085,947	62,642	17,919	(22,914)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 12)	76,068	48		26,016
Transfers out (Note 12)	(733,126)	(28,011)	(18,187)	(1,822)
Proceeds of long-term debt (Note 8)				
Proceeds of refunding bonds (Note 8)				
Payment to refunded bonds escrow agent (Note 8)				
Bond premium proceeds (Note 8)				
Capital leases (Note 7)	7,329			
Sales of capital assets	2,784	86	1,281	8
TOTAL OTHER FINANCING SOURCES (USES)	(646,945)	(27,877)	(16,906)	24,202
SPECIAL ITEM - Proceeds from sale of receivables (Note 17)				
NET CHANGE IN FUND BALANCES	439,002	34,765	1,013	1,288
FUND BALANCE, JULY 1, 2004	1,887,727	68,424	120,283	9,137
FUND BALANCE, JUNE 30, 2005	$ 2,326,729	103,189	121,296	10,425

The notes to the basic financial statements are an integral part of this statement.

	REGIONAL PARK AND OPEN SPACE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 3)	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	$	260,239		$ 3,704,985
Licenses, permits and franchises		5,917		73,450
Fines, forfeitures and penalties	1,126	68,541		294,714
Revenue from use of money and property:				
Investment income (Note 4)	5,755	54,733	(15,385)	136,833
Rents and concessions (Note 7)		48,535		69,253
Royalties		10		408
Intergovernmental revenues:				
Federal		94,364		2,763,670
State		184,148		4,275,176
Other		16,733		122,674
Charges for services	78,781	102,014		1,699,477
Miscellaneous		67,831		277,000
TOTAL REVENUES	85,662	903,065	(15,385)	13,417,640
EXPENDITURES:				
Current:				
General government		30,557		664,670
Public protection		81,097		4,111,311
Public ways and facilities		247,314		247,314
Health and sanitation		90,661		1,935,207
Public assistance		130,119		4,387,157
Education				85,066
Recreation and cultural services	48,381	6,049		226,768
Debt service:				
Principal		185,318	(26,520)	345,956
Interest and other charges		125,880	(15,385)	181,948
Capital leases				11,449
Capital outlay		24,055		31,384
TOTAL EXPENDITURES	48,381	921,050	(41,905)	12,228,230
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	37,281	(17,985)	26,520	1,189,410
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 12)	1,056	313,793		416,981
Transfers out (Note 12)	(38,109)	(285,143)		(1,104,398)
Proceeds of long-term debt (Note 8)		7,700		7,700
Proceeds of refunding bonds (Note 8)		434,471		434,471
Payment to refunded bonds escrow agent (Note 8)		(434,471)		(434,471)
Bond premium proceeds (Note 8)		37,629		37,629
Capital leases (Note 7)				7,329
Sales of capital assets		2,669		6,828
TOTAL OTHER FINANCING SOURCES (USES)	(37,053)	76,648		(627,931)
SPECIAL ITEM - Proceeds from sale of receivables (Note 17)		188,493		188,493
NET CHANGE IN FUND BALANCES	228	247,156	26,520	749,972
FUND BALANCE, JULY 1, 2004	238,574	1,464,519	(376,210)	3,412,454
FUND BALANCE, JUNE 30, 2005	$ 238,802	1,711,675	(349,690)	$ 4,162,426

COUNTY OF LOS ANGELES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

Net change in fund balances - total governmental funds (page B-31)		$ 749,972
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	$ 197,261	
Less - current year depreciation expense	(122,312)	74,949
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance.		(12,150)
Revenue timing differences result in less revenue in government-wide statements.		(1,411)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets:		
Pension bonds	$ 187,158	
General obligation bonds	11,155	
Certificates of participation	132,808	
Assessment bonds	26,520	
Other long term notes and loans	15,101	372,742
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	$ 57,665	
Change in litigation/self-insurance	(15,499)	
Change in accrued vacation/sick leave	(17,955)	
Change in third party payors	(901)	
Change in accrued interest payable	4,877	
Accretion of pension bonds	(59,112)	(30,925)
The change in the net pension obligation (an asset) is not recognized in governmental funds.		(121,277)
The portion of internal service funds that is reported with governmental activities.		(4,217)
Change in net assets of governmental activities (page B-25)		$ 1,027,683

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 2,673,699	2,910,247	2,829,342	(80,905)
Licenses, permits and franchises	54,556	57,696	58,422	726
Fines, forfeitures and penalties	183,198	185,952	220,622	34,670
Revenue from use of money and property:				
Investment income	49,947	70,861	84,160	13,299
Rents and concessions	21,360	21,360	15,605	(5,755)
Royalties	232	232	216	(16)
Intergovernmental revenues:				
Federal	3,120,674	3,133,167	2,638,259	(494,908)
State	3,967,375	4,123,656	4,120,222	(3,434)
Other	116,471	118,591	84,328	(34,263)
Charges for services	1,334,499	1,279,998	1,272,536	(7,462)
Miscellaneous	94,482	206,925	210,715	3,790
TOTAL REVENUES	11,616,493	12,108,685	11,534,427	(574,258)
EXPENDITURES:				
Current:				
General government	1,004,511	917,890	650,969	(266,921)
Public protection	3,502,891	3,578,881	3,438,210	(140,671)
Health and sanitation	2,478,879	2,224,987	2,125,863	(99,124)
Public assistance	4,711,572	4,733,753	4,319,570	(414,183)
Recreation and cultural services	186,264	187,925	176,854	(11,071)
Debt Service-				
Interest	9,962	9,962	9,962	
Capital Outlay	449,683	581,786	106,603	(475,183)
TOTAL EXPENDITURES	12,343,762	12,235,184	10,828,031	(1,407,153)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(727,269)	(126,499)	706,396	832,895
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	398	398	2,784	2,386
Transfers in	532,937	385,450	302,673	(82,777)
Transfers out	(569,895)	(645,275)	(645,027)	248
Appropriation for contingencies	(16,221)	(103,361)		103,361
Changes in reserves and designations	(92,234)	(382,997)	(330,500)	52,497
OTHER FINANCING SOURCES (USES) - NET	(145,015)	(745,785)	(670,070)	75,715
NET CHANGE IN FUND BALANCE	(872,284)	(872,284)	36,326	908,610
FUND BALANCE, JULY 1, 2004 (Note 13)	872,284	872,284	872,284	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		908,610	908,610

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 491,064	504,573	503,896	(677)
Licenses, permits and franchises	8,236	8,236	8,802	566
Fines, forfeitures and penalties	3,330	3,330	2,751	(579)
Revenue from use of money and property:				
Investment income			802	802
Rents and concessions	86	86	87	1
Intergovernmental revenues:				
Federal	11,493	11,493	2,420	(9,073)
State	13,324	13,324	13,424	100
Other	19,755	19,755	19,921	166
Charges for services	128,859	131,290	130,389	(901)
Miscellaneous	254	254	230	(24)
TOTAL REVENUES	676,401	692,341	682,722	(9,619)
EXPENDITURES:				
Current-Public protection:				
Salaries and employee benefits	583,833	551,511	539,574	(11,937)
Services and supplies	82,166	80,048	70,753	(9,295)
Other charges	7,613	5,013	4,435	(578)
Capital assets	17,467	42,936	33,832	(9,104)
TOTAL EXPENDITURES	691,079	679,508	648,594	(30,914)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,678)	12,833	34,128	21,295
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	202	202	86	(116)
Transfers in		48	48	
Transfers out	(5,351)	(27,351)	(27,351)	
Appropriation for contingencies	(31,716)	(7,275)		7,275
Changes in reserves and designations	(20,000)	(50,000)	(48,505)	1,495
OTHER FINANCING SOURCES (USES) - NET	(56,865)	(84,376)	(75,722)	8,654
NET CHANGE IN FUND BALANCE	(71,543)	(71,543)	(41,594)	29,949
FUND BALANCE, JULY 1, 2004 (Note 13)	71,543	71,543	71,543	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		29,949	29,949

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 61,893	68,951	68,675	(276)
Licenses, permits and franchises	622	622	308	(314)
Fines, forfeitures and penalties	1,522	1,522	1,205	(317)
Revenue from use of money and property:				
Investment income	2,000	2,000	2,442	442
Rents and concessions	7,533	7,871	5,009	(2,862)
Royalties	435	435	182	(253)
Intergovernmental revenues:				
Federal	4,627	4,627	4,065	(562)
State	5,414	5,414	2,633	(2,781)
Other	1,891	1,891	2,142	251
Charges for services	112,397	112,397	112,602	205
Miscellaneous	262	262	1,129	867
TOTAL REVENUES	198,596	205,992	200,392	(5,600)
EXPENDITURES:				
Current-Public protection:				
Services and supplies	188,587	190,125	186,985	(3,140)
Other charges	19,682	19,182	17,944	(1,238)
Capital assets	32,890	32,190	1,909	(30,281)
TOTAL EXPENDITURES	241,159	241,497	206,838	(34,659)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(42,563)	(35,505)	(6,446)	29,059
OTHER FINANCING SOURCES (USES):				
Sales of capital assets	200	200	1,281	1,081
Transfers out	(1,874)	(1,874)	(608)	1,266
Long-term debt proceeds	27,810	27,810		(27,810)
Appropriation for contingencies	(53)	(7,111)		7,111
Changes in reserves and designations	1,378	1,378	4,153	2,775
OTHER FINANCING SOURCES (USES) - NET	27,461	20,403	4,826	(15,577)
NET CHANGE IN FUND BALANCE	(15,102)	(15,102)	(1,620)	13,482
FUND BALANCE, JULY 1, 2004 (Note 13)	15,102	15,102	15,102	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		13,482	13,482

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	PUBLIC LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Taxes	$ 56,207	57,160	57,055	(105)
Fines, forfeitures and penalties			469	469
Revenue from use of money and property:				
Investment income	60	60	195	135
Rents and concessions	50	50	17	(33)
Intergovernmental revenues:				
Federal			101	101
State	2,330	2,531	2,116	(415)
Other	1,582	1,582	903	(679)
Charges for services	2,457	2,457	3,105	648
Miscellaneous	1,158	1,229	610	(619)
TOTAL REVENUES	63,844	65,069	64,571	(498)
EXPENDITURES:				
Current-Education:				
Salaries and employee benefits	57,162	56,977	54,983	(1,994)
Services and supplies	33,182	33,932	33,093	(839)
Other charges	785	1,028	986	(42)
Capital assets	1,335	1,335	323	(1,012)
TOTAL EXPENDITURES	92,464	93,272	89,385	(3,887)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(28,620)	(28,203)	(24,814)	3,389
OTHER FINANCING SOURCES (USES):				
Sales of capital assets			8	8
Transfers in	25,588	26,124	26,016	(108)
Transfers out	(1,306)	(1,306)	(1,306)	
Appropriation for contingencies		(953)		953
Changes in reserves and designations	(80)	(80)	87	167
OTHER FINANCING SOURCES (USES) - NET	24,202	23,785	24,805	1,020
NET CHANGE IN FUND BALANCE	(4,418)	(4,418)	(9)	4,409
FUND BALANCE, JULY 1, 2004 (Note 13)	4,418	4,418	4,418	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$		4,409	4,409

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE FROM FINAL BUDGET OVER (UNDER)
REVENUES:				
Fines, forfeitures and penalties	$ 894	894	1,126	232
Revenue from use of money and property-				
Investment income	4,303	4,303	5,626	1,323
Charges for services	78,324	78,324	78,923	599
Miscellaneous				
TOTAL REVENUES	83,521	83,521	85,675	2,154
EXPENDITURES:				
Current-Recreation and cultural services:				
Services and supplies	3,926	4,982	4,663	(319)
Other charges	236,560	236,560	123,642	(112,918)
TOTAL EXPENDITURES	240,486	241,542	128,305	(113,237)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(156,965)	(158,021)	(42,630)	115,391
OTHER FINANCING SOURCES (USES):				
Transfers in	62,508	73,282	69,659	(3,623)
Transfers out	(100,812)	(110,530)	(106,711)	3,819
Long-term debt proceeds	78,544	78,544		(78,544)
Appropriation for contingencies	(12,003)	(12,003)		12,003
Changes in reserves and designations	3,569	3,569	82,968	79,399
OTHER FINANCING SOURCES (USES) - NET	31,806	32,862	45,916	13,054
NET CHANGE IN FUND BALANCE	(125,159)	(125,159)	3,286	128,445
FUND BALANCE, JULY 1, 2004 (Note 13)	125,761	125,761	125,761	
FUND BALANCE, JUNE 30, 2005 (Note 13)	$ 602	602	129,047	128,445

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
ASSETS					
Current assets:					
Pooled cash and investments: (Notes 1 and 4)					
Operating (Note 1)	$ 446	393	108,922	444	
Other (Note 1)	8,734	8,287	37,619	6,574	
Total pooled cash and investments	9,180	8,680	146,541	7,018	
Other investments (Note 4)					
Taxes receivable					
Accounts receivable - net	116,848	103,399	225,417	113,871	
Interest receivable	8	9	327	3	
Other receivables	3,383	4,762	8,854	3,622	
Due from other funds (Note 12)	170,658	136,367	717,077	126,481	
Advances to other funds (Note 12)					
Inventories	3,273	3,831	13,298	3,937	
Total current assets	303,350	257,048	1,111,514	254,932	
Noncurrent assets:					
Restricted assets (Note 4)	1,621	7,030	10,660	191	
Net pension obligation (Note 6)	16,842	15,079	44,223	18,768	
Capital assets: (Notes 5 and 7)					
Land	1,001	15,171	18,183	2,277	
Buildings and improvements	77,672	152,940	164,111	195,357	
Equipment	32,412	21,188	81,178	40,118	
Construction in progress	14,505		518,254		
Less accumulated depreciation	(74,738)	(93,019)	(198,788)	(130,094)	
Total capital assets - net	50,852	96,280	582,938	107,658	
Total noncurrent assets	69,315	118,389	637,821	126,617	
TOTAL ASSETS	372,665	375,437	1,749,335	381,549	
LIABILITIES					
Current liabilities:					
Accounts payable	8,277	6,474	35,848	13,695	
Accrued payroll	17,176	13,538	35,461	15,230	
Other payables	1,053	924	1,761	1,051	
Accrued interest payable	91	141	115	514	
Due to other funds (Note 12)	51,338	82,589	405,621	74,673	
Advances from other funds (Note 12)	95,131	96,407	117,458	117,125	
Deferred revenue (Note 6)	1,254	1,123	4,792	1,397	
Current portion of long-term liabilities (Note 8)	31,326	41,653	264,728	42,744	
Total current liabilities	205,646	242,849	865,784	266,429	
Noncurrent liabilities:					
Accrued vacation and sick leave (Note 8)	21,113	15,083	38,228	17,920	
Bonds and notes payable (Note 8)	14,930	19,465	19,805	52,271	
Pension bonds payable (Notes 6 and 8)	53,611	47,998	140,770	59,742	
Capital lease obligations (Notes 7 and 8)	148	16			
Workers' compensation (Notes 8 and 15)	36,861	30,864	149,674	76,379	
Litigation and self-insurance (Notes 8 and 15)	29,942	17,936	92,603	39,631	
Third party payors (Notes 8 and 11)	88,577	97,334	119,936	31,670	
Total noncurrent liabilities	245,182	228,696	561,016	277,613	
TOTAL LIABILITIES	450,828	471,545	1,426,800	544,042	
NET ASSETS					
Invested in capital assets, net of related debt (Notes 5 and 8)	35,507	72,447	388,892	52,461	
Restricted	1,530	6,889	10,545	(323)	
Unrestricted (Deficit)	(115,200)	(175,444)	(76,902)	(214,631)	
TOTAL NET ASSETS (DEFICIT) (Note 2)	$ (78,163)	(96,108)	322,535	(162,493)	

The notes to the basic financial statements are an integral part of this statement.

	ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES
	Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 4)				
Operating (Note 1)	$ 194	34,853	$ 145,252	$ 45,114
Other (Note 1)	2,403	2,399	66,016	7,492
Total pooled cash and investments	2,597	37,252	211,268	52,606
Other investments (Note 4)		19,914	19,914	7,166
Taxes receivable		1,153	1,153	
Accounts receivable - net	48,979		608,514	
Interest receivable	2	66	415	120
Other receivables	2,158	9,115	31,894	1,733
Due from other funds (Note 12)	54,346	855	1,205,784	49,930
Advances to other funds (Note 12)		1,159	1,159	
Inventories	1,013		25,352	6,760
Total current assets	109,095	69,514	2,105,453	118,315
Noncurrent assets:				
Restricted assets (Note 4)	812		20,314	12,368
Net pension obligation (Note 6)	12,124		107,036	20,561
Capital assets: (Notes 5 and 7)				
Land	217	80,524	117,373	
Buildings and improvements	187,179	331,901	1,109,160	1,734
Equipment	10,535	2,508	187,939	206,358
Construction in progress	6,550	2,428	541,737	
Less accumulated depreciation	(92,689)	(229,299)	(818,627)	(114,788)
Total capital assets - net	111,792	188,062	1,137,582	93,304
Total noncurrent assets	124,728	188,062	1,264,932	126,233
TOTAL ASSETS	233,823	257,576	3,370,385	244,548
LIABILITIES				
Current liabilities:				
Accounts payable	2,420	5,688	72,402	6,843
Accrued payroll	6,368		87,773	18,204
Other payables	559	2,149	7,497	881
Accrued interest payable	382		1,243	398
Due to other funds (Note 12)	13,800	4,618	632,639	24,014
Advances from other funds (Note 12)	13,349		439,470	22,000
Deferred revenue (Note 6)	903	507	9,976	1,775
Current portion of long-term liabilities (Note 8)	25,585	1,275	407,311	44,478
Total current liabilities	63,366	14,237	1,658,311	118,593
Noncurrent liabilities:				
Accrued vacation and sick leave (Note 8)	8,215	218	100,777	30,642
Bonds and notes payable (Note 8)	48,558	6,037	161,066	25,110
Pension bonds payable (Notes 6 and 8)	38,592		340,713	65,450
Capital lease obligations (Notes 7 and 8)	512		676	319
Workers' compensation (Notes 8 and 15)	25,911		319,689	64,186
Litigation and self-insurance (Notes 8 and 15)	12,420		192,532	17,644
Third party payors (Notes 8 and 11)	21,794		359,311	
Total noncurrent liabilities	156,002	6,255	1,474,764	203,351
TOTAL LIABILITIES	219,368	20,492	3,133,075	321,944
NET ASSETS				
Invested in capital assets, net of related debt (Notes 5 and 8)	58,496	181,410	789,213	61,111
Restricted	430	53,603	72,674	4,940
Unrestricted (Deficit)	(44,471)	2,071	(624,577)	(143,447)
TOTAL NET ASSETS (DEFICIT) (Note 2)	$ 14,455	237,084	237,310	$ (77,396)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			5,803	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-23)			$ 243,113	

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
OPERATING REVENUES:					
Net patient service revenues (Note 11)	$ 480,995	277,227	1,008,000	462,924	33,558
Rentals					
Charges for services					
Other	9,839	8,899	34,290	8,352	1,640
TOTAL OPERATING REVENUES	490,834	286,126	1,042,290	471,276	35,198
OPERATING EXPENSES:					
Salaries and employee benefits	248,281	163,031	517,369	221,265	37,674
Services and supplies	67,754	57,879	173,204	58,384	11,381
Other professional services	87,306	65,967	229,147	115,839	17,060
Depreciation and amortization (Note 5)	1,750	2,459	3,086	2,625	147
Medical malpractice	(1,523)	2,551	(89)	609	22
Rent	3,801	3,354	10,723	3,871	722
Provision for bad debts	2,464	3,258	4,500	3,035	3,918
TOTAL OPERATING EXPENSES	409,833	298,499	937,940	405,628	70,924
OPERATING INCOME (LOSS)	81,001	(12,373)	104,350	65,648	(35,726)
NONOPERATING REVENUES (EXPENSES):					
Taxes					
Interest income	569	230	3,200	1,155	64
Interest expense	(10,128)	(8,279)	(21,816)	(16,916)	(1,487)
Intergovernmental transfers expense (Note 11)	(171,300)	(101,263)	(391,064)	(185,427)	(2)
Intergovernmental revenues:					
State			10,608		
Federal			127,187		
TOTAL NONOPERATING REVENUES (EXPENSES)	(180,859)	(109,312)	(271,885)	(201,188)	(1,425)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(99,858)	(121,685)	(167,535)	(135,540)	(37,151)
Transfers in (Note 12)	84,939	67,737	372,206	64,372	55,583
Transfers out (Note 12)		(13,244)		(1)	
CHANGE IN NET ASSETS	(14,919)	(67,192)	204,671	(71,169)	18,432
TOTAL NET ASSETS (DEFICIT), JULY 1, 2004	(63,244)	(28,916)	117,864	(91,324)	(18,432)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2005	$ (78,163)	(96,108)	322,535	(162,493)	

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	GOVERNMENTAL ACTIVITIES Internal Service Funds	
				OPERATING REVENUES:
$ 178,519		$ 2,441,223	$	Net patient service revenues (Note 11)
	12,535	12,535	23,156	Rentals
	55,616	55,616	343,273	Charges for services
9,158	799	72,977		Other
187,677	68,950	2,582,351	366,429	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
93,441		1,281,061	275,592	Salaries and employee benefits
20,623	257,012	646,237	48,934	Services and supplies
23,058	2,348	540,725	9,721	Other professional services
2,387	6,840	19,294	28,325	Depreciation and amortization (Note 5)
342		1,912		Medical malpractice
2,476		24,947		Rent
4,120		21,295		Provision for bad debts
146,447	266,200	2,535,471	362,572	TOTAL OPERATING EXPENSES
41,230	(197,250)	46,880	3,857	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
	701	701		Taxes
199	1,012	6,429	665	Interest income
(12,275)	(551)	(71,452)	(8,659)	Interest expense
(65,768)		(914,824)		Intergovernmental transfers expense (Note 11)
				Intergovernmental revenues:
	45	10,653		State
	212,979	340,166	107	Federal
(77,844)	214,186	(628,327)	(7,887)	TOTAL NONOPERATING REVENUES (EXPENSES)
(36,614)	16,936	(581,447)	(4,030)	INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS
61,429		706,266	1,793	Transfers in (Note 12)
	(5,929)	(19,174)	(1,468)	Transfers out (Note 12)
24,815	11,007	105,645	(3,705)	CHANGE IN NET ASSETS
(10,360)	226,077		(73,691)	TOTAL NET ASSETS (DEFICIT), JULY 1, 2004
$ 14,455	237,084		$ (77,396)	TOTAL NET ASSETS (DEFICIT), JUNE 30, 2005
		511		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 106,156		CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (PAGE B-25)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from patient services	$ 473,466	258,140	689,386	437,416	38,786
Rentals received					
Cash received from charges for services					
Other operating revenues	9,843	8,902	34,294	8,352	1,640
Cash received for services provided to other fund	7,777	6,987	17,851	10,638	4,231
Cash paid for salaries and employee benefits	(244,795)	(126,115)	(514,617)	(221,621)	(73,796)
Cash paid for services and supplies	(32,655)	19,669	171,438	36,379	(13,548)
Other operating expenses	(92,909)	(69,712)	(245,847)	(123,121)	(19,264)
Cash paid for services from other funds	(26,370)	(20,241)	(74,049)	(33,420)	(5,396)
Net cash provided by (required for) operating activities	94,357	77,630	78,456	114,623	(67,347)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash advances received from other funds	229,400	176,889	487,813	238,198	16,271
Cash advances paid/returned to other funds	(198,579)	(158,055)	(414,571)	(206,081)	(10,876)
Interest paid on pension bonds	(6,157)	(4,089)	(16,167)	(6,861)	(1,424)
Interest paid on advances	(2,328)	(2,284)	(3,039)	(3,032)	(35)
Intergovernmental transfers	(193,584)	(125,253)	(481,661)	(194,276)	(2)
Transfers in	84,939	67,737	372,206	64,372	62,369
Transfers out		(20,030)		(1)	
Net cash provided by (required for) noncapital financing activities	(86,309)	(65,085)	(55,419)	(107,681)	66,303
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from taxes					
Intergovernmental receipts			137,795		
Proceeds from bonds and notes			60,000		
Interest paid on capital borrowing	(1,690)	(1,946)	(2,634)	(7,083)	(28)
Principal payments on bonds and notes	(9,162)	(9,646)	(23,701)	(18,030)	(1,624)
Principal payments on capital leases	(217)		(37)	(13)	(35)
Proceeds from refunding bonds	1,118		1,397	3,736	
Acquisition and construction of capital assets	(1,770)	(210)	(194,175)	(968)	(27)
Net cash provided by (required for) capital and related financing activities	(11,721)	(11,802)	(21,355)	(22,358)	(1,714)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest income received	305	56	2,506	867	5
Net increase (decrease) in cash and cash equivalents	(3,368)	799	4,188	(14,549)	(2,753)
Cash and cash equivalents, July 1, 2004	14,169	14,911	153,013	21,758	2,753
Cash and cash equivalents, June 30, 2005	$ 10,801	15,710	157,201	7,209	

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES:
$ 175,206		$ 2,072,400	$	Cash received from patient services
	21,642	21,642	19,546	Rentals received
	55,182	55,182	347,696	Cash received from charges for services
9,172	799	73,002		Other operating revenues
494		47,978		Cash received for services provided to other funds
(96,054)		(1,276,998)	(271,435)	Cash paid for salaries and employee benefits
(24,165)	(256,138)	(99,020)	(52,082)	Cash paid for services and supplies
(25,830)	(2,348)	(579,031)	(9,721)	Other operating expenses
(12,813)		(172,289)		Cash paid for services from other funds
26,010	(180,863)	142,866	34,004	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:
68,782		1,217,353		Cash advances received from other funds
(57,545)	14	(1,045,693)		Cash advances paid/returned to other funds
(4,433)		(39,131)	(7,517)	Interest paid on pension bonds
(313)		(11,031)		Interest paid on advances
(79,675)		(1,074,451)		Intergovernmental transfers
61,429		713,052	1,793	Transfers in
	(5,929)	(25,960)	(1,468)	Transfers out
(11,755)	(5,915)	(265,861)	(7,192)	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:
	931	931		Proceeds from taxes
	213,024	350,819	107	Intergovernmental receipts
		60,000	32,240	Proceeds from bonds and notes
(7,456)	(551)	(21,388)	(1,101)	Interest paid on capital borrowing
(25,541)	(856)	(88,560)	(36,520)	Principal payments on bonds and notes
(100)		(402)	(224)	Principal payments on capital leases
3,754		10,005		Proceeds from refunding bonds
(152)	(8,685)	(205,987)	(27,892)	Acquisition and construction of capital assets
(29,495)	203,863	105,418	(33,390)	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES -
13	1,001	4,753	349	Interest income received
(15,227)	18,086	(12,824)	(6,229)	Net increase (decrease) in cash and cash equivalents
18,636	39,080	264,320	78,369	Cash and cash equivalents, July 1, 2004
$ 3,409	57,166	$ 251,496	$ 72,140	Cash and cash equivalents, June 30, 2005

Continued…

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS - Continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	BUSINESS-TYPE ACTIVITIES -				
	Harbor UCLA Medical Center	Olive View UCLA Medical Center	LAC+USC Medical Center	M. L. King/Drew Medical Center	High Desert Hospital
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	$ 81,001	(12,373)	104,350	65,648	(35,726)
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:					
Depreciation and amortization	1,750	2,459	3,086	2,625	147
Other charges - net	(968)	118	2,619	1,612	74
(Increase) decrease in:					
Accounts receivable - net	16,983	15,148	61,313	3,420	12,050
Interest receivable					
Other receivables	(441)	8	(785)	(837)	767
Due from other funds	(17,288)	(39,979)	(370,620)	(13,593)	10,565
Inventories	(263)	(1,128)	(428)	(292)	761
Net pension obligation	7,149	853	18,774	7,968	5,548
Increase (decrease) in:					
Accounts payable	(2,768)	1,900	(96)	5,201	(1,299)
Accrued payroll	1,380	3,290	1,876	761	(2,386)
Other payables	271	358	378	271	(138)
Accrued vacation and sick leave	779	3,835	1,241	(624)	(2,856)
Due to other funds	13,245	56,348	268,624	54,151	(7,286)
Deferred revenue		290	(51)		(290)
Pension bonds payable	(7,549)	10,335	(19,822)	(8,413)	(17,093)
Workers' compensation liability	(1,600)	9,580	(5,079)	(2,111)	(13,223)
Litigation and self-insurance liability	(782)	10,607	(804)	(339)	(6,957)
Third party payor liability	3,458	15,981	13,880	(825)	(10,005)
TOTAL ADJUSTMENTS	13,356	90,003	(25,894)	48,975	(31,621)
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 94,357	77,630	78,456	114,623	(67,347)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:					
Pooled cash and investments	$ 9,180	8,680	146,541	7,018	
Other investments					
Restricted assets	1,621	7,030	10,660	191	
TOTAL	$ 10,801	15,710	157,201	7,209	

The notes to the basic financial statements are an integral part of this statement.

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Rancho Los Amigos Medical Center	Nonmajor Enterprise Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ 41,230	(197,250)	$ 46,880	$ 3,857	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
2,387	6,840	19,294	28,325	Depreciation and amortization
(167)	3,572	6,860	(362)	Other charges - net
				(Increase) decrease in:
11,505		120,419		Accounts receivable - net
			23	Interest receivable
43	8,370	7,125	(1,651)	Other receivables
(8,806)	(37)	(439,758)	2,599	Due from other funds
(8)		(1,358)	80	Inventories
5,146		45,438	8,729	Net pension obligation
				Increase (decrease) in:
(41)	(3,406)	(509)	(1,389)	Accounts payable
195		5,116	347	Accrued payroll
113	279	1,532	220	Other payables
265		2,640	159	Accrued vacation and sick leave
(16,371)	429	369,140	(1,476)	Due to other funds
	340	289	(158)	Deferred revenue
(5,433)		(47,975)	(9,216)	Pension bonds payable
(2,864)		(15,297)	4,079	Workers' compensation liability
257		1,982	(162)	Litigation and self-insurance liability
(1,441)		21,048		Third party payor liability
(15,220)	16,387	95,986	30,147	TOTAL ADJUSTMENTS
$ 26,010	(180,863)	$ 142,866	$ 34,004	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:
$ 2,597	37,252	$ 211,268	$ 52,606	Pooled cash and investments
	19,914	19,914	7,166	Other investments
812		20,314	12,368	Restricted assets
$ 3,409	57,166	$ 251,496	$ 72,140	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 4)	$ 50,945	$ 9,228,149	$ 1,289,769
Other investments: (Note 4)		946,603	202,764
Stocks	17,367,171		
Bonds	8,467,784		
Short-term investments	947,634		
Real estate	3,213,698		
Mortgages	268,449		
Alternative assets	1,777,213		
Collateral on loaned securities	3,001,156		
Taxes receivable			204,760
Interest receivable	109,878	52,177	
Other receivables	412,671		
TOTAL ASSETS	35,616,599	10,226,929	$ 1,697,293
LIABILITIES			
Accounts payable	509,383		
Other payables (Note 4)	3,081,111		
Due to other governments			1,697,293
TOTAL LIABILITIES	3,590,494		$ 1,697,293
NET ASSETS			
Held in trust for pension benefits and investment trust participants	$ 32,026,105	$ 10,226,929	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005 (in thousands)

	PENSION TRUST FUND	INVESTMENT TRUST FUNDS
ADDITIONS:		
Contributions:		
Pension trust contributions:		
Employer	$ 527,810	$
Member	286,096	
Contributions to investment trust funds		34,588,350
Total contributions	813,906	34,588,350
Investment earnings:		
Interest	1,850,038	247,226
Net increase in the fair value of investments	1,597,148	
Securities lending income (Note 4)	79,263	
Total investment earnings	3,526,449	247,226
Less - Investment expenses:		
Expense from investing activities	59,664	
Expense from securities lending activities (Note 4)	70,592	
Total net investment expense	130,256	
Net investment earnings	3,396,193	247,226
Miscellaneous	3,222	
TOTAL ADDITIONS	4,213,321	34,835,576
DEDUCTIONS:		
Salaries and employee benefits	27,276	
Services and supplies	15,905	
Depreciation and amortization	1	
Benefit payments	1,606,051	
Distribution from investment trust funds		35,666,507
Miscellaneous	19,166	
TOTAL DEDUCTIONS	1,668,399	35,666,507
CHANGE IN NET ASSETS	2,544,922	(830,931)
NET ASSETS HELD IN TRUST, JULY 1, 2004	29,481,183	11,057,860
NET ASSETS HELD IN TRUST, JUNE 30, 2005	$ 32,026,105	$ 10,226,929

The notes to the basic financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Los Angeles (the "County") is a legal subdivision of the State of California (the "State") charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors (the "Board") which, as the governing body of the County, is responsible for the legislative and executive control of the County. As required by the Governmental Accounting Standards Board ("GASB"), these basic financial statements include both those of the County and its component units. The component units discussed below are included primarily because the Board is financially accountable for them.

Blended Component Units

County management has determined that the following related entities should be included in the basic financial statements as blended component units:

- Fire Protection District
- Flood Control District
- Street Lighting Districts
- Improvement Districts
- Community Development Commission (including the Housing Authority of the County of Los Angeles) ("CDC")
- Regional Park and Open Space District
- Garbage Disposal Districts
- Sewer Maintenance Districts
- Waterworks Districts
- Los Angeles County Capital Asset Leasing Corporation (a Non Profit Corporation) ("NPC")
- Various Joint Powers Authorities ("JPAs")
- Los Angeles County Employees Retirement Association ("LACERA")

Although they are separate legal entities, the various districts and the CDC are included primarily because the Board is also their governing Board. As such, the Board establishes policy, appoints management and exercises budgetary control. The NPC and JPAs have been included because their sole purpose is to finance and construct County capital assets and because they are dependent upon the County for funding. Blended component units are those that, because of the closeness of the relationship with the primary government, should be blended in the basic financial statements as though they are part of the primary government. LACERA is reported in the Pension Trust Fund of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County.

Discretely Presented Component Unit

The Children and Families First Commission ("Commission") was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The County's Board established the Commission with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, two are heads of County Departments (Health and Mental Health), one is an early childhood education expert, and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

The Commission's services are focused on the development and well-being of all children, from the prenatal stage until age five. The Commission is a component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those commissioners at will. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Component Unit Financial Statements

Separate financial statements or additional financial information for each of the component units may be obtained from the Auditor-Controller at 500 West Temple Street, Room 525, Los Angeles, California 90012.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net assets are classified into the following three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Net assets are reported as restricted when their use has been constrained by externally imposed conditions. Such conditions include limitations imposed by creditors (such as through debt covenants), grantors or laws or regulations of other governments. Net asset restrictions are also recognized when imposed by law through constitutional provisions or enabling legislation. Net assets "restricted for special purpose" are principally related to special revenue funds and the restrictions on their net asset use in accordance with the provisions mentioned above.

When both restricted and unrestricted net assets are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The County reports the following major governmental funds:

General Fund
The General Fund is available for any authorized purpose and is used to account for all resources except for those accounted for in other funds.

Fire Protection District Fund
The Fire Protection District Fund was established to provide for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of district property and equipment. Revenues are derived principally from the Countywide tax levy.

Flood Control District Fund
The Flood Control District Fund was established to provide for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Revenues are derived primarily from the Countywide tax levy and benefit assessments.

Public Library Fund
The Public Library Fund was established to provide free library services to the unincorporated areas of the County and to cities that contract for these services. Revenues are derived principally from the Countywide tax levy.

Regional Park and Open Space District Fund
The Regional Park and Open Space District Fund was established to administer grant programs designed to preserve beaches, parks and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding is derived from voter-approved assessments and long-term debt proceeds.

The County's major enterprise funds consist of six Hospital Enterprise Funds. These funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. A description of each Hospital Enterprise Fund is provided below:

Harbor/UCLA Medical Center
The Harbor/UCLA Medical Center provides acute and intensive care unit medical/surgical inpatient and outpatient care services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

Olive View/UCLA Medical Center
The Olive View/UCLA Medical Center provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecology services, and psychiatric services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

LAC+USC Medical Center

The LAC+USC Medical Center provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

M. L. King/Drew Medical Center

The M. L. King/Drew Medical Center provides acute and intensive care unit medical/surgical inpatient and outpatient services, emergency room services, psychiatric services, dental services, pediatric and obstetric services.

High Desert Hospital

The High Desert Health System provides non-hospital based outpatient services. At the end of the current fiscal year, High Desert Health Systems and Antelope Valley Rehabilitation Center transferred from the High Desert Hospital Enterprise Fund to the Olive View/UCLA Medical Center Enterprise Fund.

Rancho Los Amigos Medical Center

The Rancho Los Amigos National Rehabilitation Center specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension Trust Fund

The Pension Trust Fund is used to account for financial activities of LACERA.

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for net assets of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net assets of individual investment accounts, in aggregate. The related investment activity occurs separately from the County’s investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting

The government-wide, proprietary, pension and investment trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, property and sales taxes, investment income, and charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. All other revenues are not considered susceptible to accrual and are recognized when received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's six Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the County's Nonmajor Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 11, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

The County applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, in accounting and reporting for operations of the enterprise funds. FASB pronouncements issued after November 30, 1989, have not been applied unless specifically adopted in a GASB pronouncement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (the "Government Code"), commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting which is different from generally accepted accounting principles ("GAAP").

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled on the object level for all budget units within the County, except for capital asset expenditures, which are controlled on the sub-object level. The total budget exceeds $20 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund at June 30, 2005. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Administrative Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 13 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total 2004-2005 gross assessed valuation of the County of Los Angeles was $769,390,544,000.

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

The County is divided into 10,881 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes which are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1 and become delinquent, if unpaid, on August 31.

Deposits and Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," the accompanying basic financial statements reflect the fair value of investments. Specific disclosures related to GASB 31 appear in Note 4.

Deposits and investments are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

Pooled Cash and Investments are identified within the following categories for all County operating funds:

Operating Pooled Cash and Investments

This account represents amounts reflected in the County’s day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2005 that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB Statement No. 34.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Other Investments

"Other Investments" represent Pension Trust Fund investments, investments of the Community Development Commission, various JPAs, NPC, and Public Buildings, and amounts on deposit with the County Treasurer which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LAC-CAL bond indenture. All of the above noted assets are included in the various disclosures in Note 4.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are offset with a corresponding reservation of fund balance because these amounts are not available for appropriation and expenditure.

Of the amounts reported as inventories in the governmental activities, $39,721,000 represents land held for resale by the Community Development Commission (CDC). The CDC records land held for resale at the lower of cost or estimated net realizable value.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Project Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements and $100,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 5.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets-Continued

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Infrastructure	10 to 50 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Pursuant to GASB 34, an extended period of deferral (fiscal year beginning July 1, 2005) is available before the requirement to record and depreciate infrastructure assets acquired prior to July 1, 2001 is effective. As a result, the governmental activities column in the accompanying government-wide financial statements as of June 30, 2005 does not reflect those infrastructure assets completed prior to July 1, 2001. The accompanying government-wide financial statements include infrastructure assets that have been acquired since July 1, 2001. Infrastructure assets that are functional are currently being depreciated.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in "Advances Payable."

Vacation and Sick Leave Benefits

Vacation pay benefits accrue to employees ranging from 10 to 20 days per year depending on years of service. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of 8 days per year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued vacation and sick leave benefits are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments," and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Accounting Reclassifications

Certain reclassifications have been made to amounts previously reported to conform to the current year's report format. Such reclassifications had no effect on previously reported changes in net assets.

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 40

For the fiscal year ended June 30, 2005, the County implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3". This Statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB Statement No. 40 did not have an impact on the County's financial statements for the year ended June 30, 2005, but required additional disclosures (see Note 4) related to deposits and investment risks.

2. NET ASSET DEFICITS

The following funds had net asset deficits at June 30, 2005 (in thousands):

	Accumulated Deficit
Enterprise Funds:	
Harbor/UCLA Medical Center	$ 78,163
Olive View/UCLA Medical Center	96,108
M. L. King/Drew Medical Center	162,493
Internal Service Fund-	
Public Works	95,105

The Enterprise and Internal Service Funds' deficits result primarily from the recognition of certain liabilities including accrued vacation and sick leave, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice and third party payor liabilities, as required by GAAP. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded. Enterprise funds' deficits are further explained in Note 11.

3. ELIMINATIONS

The Regional Park and Open Space District (District), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The District executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Joint Powers Authority" (JPA). Under the terms of the agreement, the District sold $510,185,000 of bonds in 1997 that were acquired as an investment by the JPA. The JPA financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the District's bonds relative to principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of District related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPA, the District has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPA. The transactions between the two component units have been accounted for as follows:

3. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2005, the Fund Financial Statements reflect an investment asset (referred to as "Other Investments") held by the JPA of $349,690,000 that has been recorded in the Nonmajor Governmental Funds. The Fund Financial Statements do not reflect a liability for the related Bonds Payable ($349,690,000), as this obligation is not currently due. Accordingly, the value of the asset represents additional fund balance in the Nonmajor Governmental Funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the Fund Financial Statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County's overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within Governmental Activities (as appropriate under the accrual basis of accounting). The specific items eliminated were Other Investments and Bonds Payable ($349,690,000 for each) and Investment Earnings and Interest Expense ($15,385,000 for each). Accordingly, there are no reconciling differences between the two sets of Financial Statements (after the effects of eliminations) for this matter.

The Bonds Payable of $349,690,000 that were publicly issued are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 8 and are captioned "Assessment Bonds."

4. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension Trust Fund investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2005 (in thousands):

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 3,804,205	$ 286,389			$ 4,090,594
Proprietary Funds	263,874	27,080	$ 17,645	$ 15,037	323,636
Fiduciary Funds (excluding Pension Trust Fund)	10,517,918	1,149,367			11,667,285
Pension Trust Fund	50,945	35,043,105			35,094,050
Component Unit	726,920				726,920
Total	$15,363,862	$36,505,941	$ 17,645	$ 15,037	$ 51,902,485

4. CASH AND INVESTMENTS-Continued

Deposits-Custodial Credit Risk

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

At June 30, 2005, the carrying amount of the County's deposits was $79,720,000 and the balance per various financial institutions was $76,451,000. The County's deposits are not exposed to custodial credit risk since all its deposits are either covered by federal depository insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with California Government Code Section 53652.

At June 30, 2005, the carrying amount of Pension Trust Fund deposits was $67,625,000. Pension Trust Fund deposits are not exposed to custodial credit since its deposits are eligible for and covered by "pass through insurance" in accordance with applicable law and FDIC rules and regulations.

Investments

State statutes authorize the County to invest pooled investments in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements and reverse repurchase agreements.

The investments are managed by the County Treasurer who reports on a monthly basis to the Board of Supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative.

Investments held by the County Treasurer are stated at fair value, except for certain non-negotiable securities that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals.

The Pension Trust Fund is managed by LACERA. Pension Trust Fund investments are authorized by State Statutes which are referred to as the "County Employees' Retirement Law of 1937." Statutes authorize a "Prudent Expert" guideline as to form and types of investments which may be purchased. Examples of the Fund's investments are obligations of the various agencies of the federal government, corporate and private placement bonds, global bonds, domestic and global stocks, domestic and global convertible debentures and real estate. Detailed deposit and investment risk disclosures are included in Note 4 of LACERA's Report on Audited Financial Statements for the year ended June 30, 2005.

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-seven percent (87%) of the Treasurer's external investment pool consists of these involuntary participants. Voluntary participants in the County's external investment pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the External Pooled Investment Trust Fund. Certain specific investments have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's investment pool and is reported in the Specific Investment Trust Fund. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

County pooled and other investments (excluding Pension Trust Fund other investments) at June 30, 2005 (in thousands) are as follows:

	Fair Value
U.S. Government securities	$ 6,019,118
Negotiable certificates of deposit	3,579,256
Commercial paper	5,244,633
Corporate and deposit notes	1,021,161
Municipal bonds	5,450
Los Angeles County securities	36,922
Guaranteed investment contracts	515,000
Investment in money market funds	226,448
Investment in State and local agency investment funds	130,528
1st and 2nd Mortgages	1,144
Total	$ 16,779,660

Pension Trust Fund investments are reported in the basic financial statements at fair value at June 30, 2005 (in thousands) and are as follows:

	Fair Value
Domestic and International Equity	$ 20,300,702
Fixed Income	8,467,784
Real Estate	3,213,698
Private Equity	1,777,213
Short term investments	947,634
Mortgages	268,449
Total	$ 34,975,480

4. CASH AND INVESTMENTS-Continued

Investments-Continued

The Pension Trust Fund also had deposits with the Los Angeles County Treasury Pool at June 30, 2005 totaling $50,945,000. The Pension Trust Fund portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the total investment portfolio.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2005 to support the value of shares in the Treasurer's investment pool.

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolio is more than adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

A summary of investments held by the Treasurer's Pool is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
U. S. Government securities	$ 5,549,155	$ 5,584,733	1.45% - 9.25%	07/07/05 - 12/01/08	0.79
Negotiable certificates of deposit	3,504,314	3,504,685	3.01% - 3.44%	07/01/05 - 02/14/06	0.08
Commercial paper	5,219,636	5,219,028	2.98% - 3.38%	07/01/05 - 08/17/05	0.05
Corporate and deposit notes	1,006,173	1,007,474	1.75% - 3.65%	07/18/05 - 08/06/07	0.59
Los Angeles County securities	36,922	36,922	3.08% - 4.98%	06/30/06 - 08/01/07	1.89
Deposits	65,306	65,306			
	$ 15,381,506	$15,418,148			

A summary of other (non-pooled) investments, excluding the Pension Trust Fund, is as follows (in thousands):

	Fair Value	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Local Agency Investment Fund	$ 130,387	$ 130,529	1.67 - 2.85%	12/31/05	0.50
Commercial paper	24,997	25,000	3.02 - 3.04%	07/18/05	0.05
Corporate and deposit notes	14,988	15,000	3.22%	10/17/05	0.30
Mortgage trust deeds	1,144	1,144	4.50 - 5.50%	08/01/12 - 04/01/17	9.26
Municipal bonds	5,450	5,450	5%	09/02/21	16.19
Negotiable certificates of deposit	74,942	75,003	3.03 - 3.39%	07/18/05 - 01/20/06	0.27
Guaranteed investment contracts	515,000	515,000	2.29%	08/30/05	0.17
U.S. agency securities	172,814	173,686	1.88 - 5.38	07/05/05 - 04/13/10	0.74
U.S treasury securities	92,434	92,633	1.50 - 11.25%	08/15/05 - 05/15/16	1.17
U.S. treasury bills	204,740	203,986	2.78 - 3.18%	08/18/05 - 12/22/05	0.38
Money market mutual funds	226,565	226,565	1.72 - 2.80%	07/01/05	
Deposits	14,413	14,413			
	$ 1,477,874	$ 1,478,409			

4. CASH AND INVESTMENTS-Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding asset investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to less than 18 months. Of the Pooled Cash and Investments and Other Investments at June 30, 2005, over 70% have a maturity of six months or less. Of the remainder, less than 12% have a maturity of more than one year.

As of June 30, 2005, variable-rate notes comprised 5.20% of the Treasury Pool and Other Investment portfolios. The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate coupon resets back to the market rate on a periodic basic. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank, except for Bond Anticipation Notes, certain certificates of participation issued by Los Angeles County entities, investment in the State's Local Area Investment Fund, and mortgage trust deeds which are held in the County Treasurer's vault. Securities are not held in broker accounts. At June 30, 2005, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk and Concentration of Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The County's investment policy establishes minimum acceptable credit ratings for investments from any two nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's) while an issuer of long-term debt shall be rated no less than an "A". At June 30, 2005, the County was invested in guaranteed investment contracts and the Local Agency Investment Fund, which are unrated as to credit quality.

At June 30, 3005, the County did not exceed the County investment policy limitations that state that no more than 5% of total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government-sponsored enterprises. No more than 10% may be invested in one money market mutual fund.

4. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2005:

	S & P	Moody's	% of Portfolio
Pooled Cash and Investments:			
Commercial paper	A-1	P-1	34.08%
Corporate and deposit notes	A-1	P-1	7.68%
Los Angeles County securities	AAA	Aaa	0.24%
Negotiable certificates of deposit	A-1	P-1	21.77%
U.S. agency securities	AAA	Aaa	32.25%
U.S. treasury securities	AAA	Aaa	3.98%
			100.00%
Other Investments:			
Local agency investment fund	Not rated	Not rated	8.91%
Commercial paper	A-1	P-1	1.71%
Corporate and deposit notes	A-1	P-1	1.02%
Mortgage trust deeds	AAA	Aaa	0.08%
Municipal bonds	AAA	Aaa	0.37%
Negotiable certificates of deposit	A-1	P-1	5.12%
Guaranteed investment contracts	Not rated	Not rated	35.19%
U.S. agency securities	AAA	Aaa	11.81%
U.S. treasury securities	AAA	Aaa	20.31%
Money market mutual funds	AAA	Aaa	15.48%
			100.00%

The earned yield, which includes net gains on investments sold, on all investments held by the Treasurer's Pool for the fiscal year ended June 30, 2005 was 2.16%.

A separate financial report is not issued for the external investment pool. The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2005 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 15,381,506
Equity of internal pool participants	$ 6,103,101
Equity of external pool participants	9,278,405
Total equity	$ 15,381,506
Statement of Changes in Net Assets	
Net assets at July 1, 2004	$ 15,505,088
Net change in investments by pool participants	(123,582)
Net assets at June 30, 2005	$ 15,381,506

The unrealized loss on investments held in the Treasurer's Pool was $36,642,000 as of June 30, 2005. This amount takes into account all changes in fair value (including purchases, sales and redemptions) that occurred during the year.

4. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

The California Government Code permits the County Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to $500,000,000 and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Derivatives

The California Government Code permits the County Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate.

The County's investment guidelines limit the amount of floating rate notes to 10% of the Los Angeles County Treasury Pool portfolio and prohibit the purchase of inverse floating rate notes and hybrid or complex structured investments. As of June 30, 2005, there were approximately $1,059,272,000 in floating rate notes.

LACERA utilizes forward currency contracts to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. At June 30, 2005, forward currency contracts receivable and payable totaled $52,215,000 and $50,828,000, respectively.

Securities Lending Transactions

LACERA, as the administering agency for the Pension Trust Fund, is authorized to participate in a securities lending program under policies adopted by the LACERA Board of Investments. This program is an investment management activity that mirrors the fundamentals of a loan transaction in which a security is used as collateral. Securities are lent to brokers and dealers (borrowers) and LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

4. CASH AND INVESTMENTS-Continued

Securities Lending Transactions-Continued

LACERA's program is managed by one principal borrower and two agent lenders. Under exclusive borrowing and lending arrangements, securities on loan must be collateralized with a fair value of 102% for U.S. securities, and 105% for international securities, of the borrowed securities. Collateral is marked to market daily. Cash collateral is invested by the agent lenders in short-term, liquid instruments.

Under the terms of the lending agreements, the two agent lenders have agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. The principal borrower's agreement entitles LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." Either LACERA or the borrower can terminate all loans on securities on demand.

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2005, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2005.

Securities on loan at year-end, which include stocks and government and corporate bonds, are maintained in LACERA's financial records. A corresponding liability is recorded for the fair value of the cash collateral received.

As of June 30, 2005, the fair value of securities on loan was $2.95 billion. The value of the cash collateral received for those securities was $3 billion and the non cash collateral was $6.7 million. Securities lending assets (Other Investments) and liabilities (Other Payables) of $3 billion are recorded in the Pension Trust Fund. Pension Trust Fund income, net of expenses, from securities lending was $8.67 million for the year ended June 30, 2005.

For the year ended June 30, 2005, the Los Angeles County Treasury Pool did not enter into any securities lending transactions.

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments at June 30, 2005 (in thousands):

	County	Pension Trust Fund	Total
Deposits	$ 79,720	$ 67,625	$ 147,345
Investments	16,779,660	34,975,480	51,755,140
	$ 16,859,380	$ 35,043,105	$ 51,902,485

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 are as follows (in thousands):

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities				
Capital assets, not depreciated:				
Land	$ 277,728	$ 9,008	$ (187)	$ 286,549
Construction in progress-buildings and improvements	87,101	54,588	(55,726)	85,963
Construction in progress-infrastructure	64,417	35,178	(38,203)	61,392
Subtotal	429,246	98,774	(94,116)	433,904
Capital assets, depreciated:				
Buildings and improvements	3,662,120	68,816	(7,302)	3,723,634
Equipment	771,261	80,759	(51,015)	801,005
Infrastructure	151,207	57,220		208,427
Subtotal	4,584,588	206,795	(58,317)	4,733,066
Less accumulated depreciation for:				
Buildings and improvements	(1,146,468)	(64,734)	2,281	(1,208,921)
Equipment	(546,440)	(70,715)	35,569	(581,586)
Infrastructure	(14,426)	(8,013)		(22,439)
Subtotal	(1,707,334)	(143,462)	37,850	(1,812,946)
Total capital assets, being depreciated, net	2,877,254	63,333	(20,467)	2,920,120
Governmental activities capital assets, net	$3,306,500	$162,107	$(114,583)	$ 3,354,024
Business-type Activities				
Capital assets, not depreciated:				
Land	$ 117,407		$ (34)	$ 117,373
Construction in progress-buildings and improvements	351,156	$197,933	(7,352)	541,737
Subtotal	468,563	197,933	(7,386)	659,110
Capital assets, being depreciated:				
Buildings and improvements	1,102,218	7,547	(605)	1,109,160
Equipment	217,988	13,905	(10,308)	221,585
Subtotal	1,320,206	21,452	(10,913)	1,330,745
Less accumulated depreciation for:				
Buildings and improvements	(631,490)	(13,988)	553	(644,925)
Equipment	(184,686)	(12,481)	5,917	(191,250)
Subtotal	(816,176)	(26,469)	6,470	(836,175)
Total capital assets, being depreciated, net	504,030	(5,017)	(4,443)	494,570
Business-type activities capital assets, net	972,593	192,916	(11,829)	1,153,680
Total Capital Assets, net	$4,279,093	$355,023	$(126,412)	$ 4,507,704

5. CAPITAL ASSETS-Continued

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General government	$ 13,724
Public protection, including depreciation of infrastructure assets	71,845
Public ways and facilities, including depreciation of infrastructure assets	7,966
Health and sanitation	6,942
Public assistance	6,972
Education	1,559
Recreation and cultural services	13,304
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	21,150
Total depreciation expense, governmental activities	$ 143,462
Business-type activities:	
Hospitals	$ 12,454
Aviation	1,210
Waterworks	3,183
Community Development Commission	2,447
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	7,175
Total depreciation expense, business-type activities	$ 26,469

Discretely Presented Component Unit

Capital assets activity for the Children and Families First Commission component unit for the year ended June 30, 2005 was as follows (in thousands):

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not depreciated:				
Land		$ 2,039	$	$ 2,039
Capital assets, depreciated:				
Buildings and improvements	$ 13,867	1,933		15,800
Equipment	206	959		1,165
Subtotal	14,073	2,892		16,965
Less accumulated depreciation for:				
Buildings and improvements	(5,368)	(49)		(5,417)
Equipment	(124)	(96)		(220)
Subtotal	(5,492)	(145)		(5,637)
Total capital assets being depreciated, net	8,581	2,747		11,328
Component unit capital assets, net	$ 8,581	$ 4,786	$	$ 13,367

6. PENSION PLAN

Plan Description

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA) which was established under the County Employees' Retirement Law of 1937. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education
South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

LACERA is technically a cost sharing, multi-employer defined benefit plan. However, because the non-County entities are immaterial to its operations, the disclosures herein are made as if LACERA was a single employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible employees. Benefits are authorized in accordance with the California Constitution, the County Employees' Retirement Law, the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments and Board of Supervisors' resolutions.

LACERA issues a stand-alone financial report which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199.

Funding Policy

LACERA has seven benefit tiers known as A, B, C, D and E, and Safety A and B. All tiers except E are employee contributory. Tier E is employee non-contributory. New general employees are eligible for tiers D or E at their discretion. New safety members are only eligible for Safety B. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for 2004-2005:

	A	B	C	D	E
General Members	20.02%	13.07%	12.67%	12.72%	12.38%
Safety Members	26.84%	23.20%			

The rates were determined by the actuarial valuation performed as of June 30, 2003 and are the same as those used to calculate the annual required contribution (ARC).

Employee rates vary by the option and employee entry age from 5% to 15% of their annual covered salary.

During 2004-2005, the County did not pay LACERA the full amount of the ARC. LACERA applied $222,542,000 in excess earnings reserves towards the County's required contribution.

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation, computed in accordance with GASB 27, for 2004-2005 were as follows (in thousands):

Annual required contribution (ARC):	
County	$ 750,234
Non County entities	118
Total ARC	750,352
Interest on net pension obligation	(47,098)
Annual pension cost	703,254
Contributions made:	
County	527,692
Non County entities	118
Total contributions	527,810
Cost in excess of contributions	175,444
Net pension obligation (asset), July 1, 2004	(588,730)
Net pension obligation (asset), June 30, 2005	$ (413,286)

Trend Information (in thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2003	$ 455,452	71.3%	$ (662,635)
June 30, 2004	468,967	84.2%	(588,730)
June 30, 2005	703,254	75.1%	(413,286)

The annual required contribution was calculated based upon an actuarial valuation performed as of June 30, 2003 using the entry age normal method. The valuation assumed an annual investment rate of return of 7.75%, and projected salary increases ranging from 4.01% to 9.98%, with both assumptions including a 3.5% inflation factor. The valuation also assumed post-retirement benefit increases of between 2% and 3%, in accordance with the provisions of the specific benefit options. The actuarial value of assets was determined utilizing a three-year smoothed method based on the difference between the expected market value and the actual market value of assets as of the valuation date.

The June 30, 2004 valuation determined the funding ratio to be 82.8% and recognized an unfunded actuarial accrued liability (UAAL) of $5.61 billion. The County contribution rate (effective for the 2005-2006 fiscal year) was, therefore, increased by 6.41% of payroll (using the level percentage of payroll amortization method, over a 30-year open period) over the normal cost rate of 9.60%.

LACERA uses the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

6. PENSION PLAN-Continued

Annual Pension Cost and Net Pension Obligation-Continued

Because it is negative, the net pension obligation represents an asset. Accordingly, a pension asset, "Net Pension Obligation," has been recognized in the government-wide financial statements and in the proprietary funds financial statements.

Pension Obligation Bonds and Certificates

During 1994-95 the County sold approximately $1,965,230,000 in par value pension bonds and utilized the proceeds to fund LACERA. A portion of the bonds ($1,365,230,000) were fixed rate. The remaining $600,000,000 were variable rate bonds, which were restructured into fixed rate bonds during 1995-96.

In conjunction with the 1994-95 issuance of the pension bonds, the County entered into debt service advance agreements. Under the agreements, the County received $79,022,000 in exchange for future interest that the County would have earned on deposits with the trustee between the time the County is required to pay debt service payments to the trustee and the time the trustee pays the bondholders. These proceeds have been recorded as deferred revenue and are being amortized over the life of the bonds on the basis of annual debt service requirements. As of June 30, 2005, the unamortized balance was $30,767,000.

The outstanding principal balance of the bonds (including accreted interest on deep discount bonds) as of June 30, 2005 was $1,454,542,000. The bonds have interest rates varying from 6.86% to 9.19%.

In 1986, the County issued $461,493,000 in fixed rate pension obligation certificates to purchase annuity contracts to provide pension benefits to a specified group of LACERA members. Variable rate bonds totaling $327,400,000 were issued in May 1996 to advance refund $327,405,000 of the certificates. Interest rates on the bonds are reset weekly and varied during 2004-2005 from 0.97% to 2.99%. The fixed rate certificates which remain outstanding have a rate of 6.875%. At June 30, 2005, the total outstanding principal (including accreted interest) for the refunding bonds and remaining fixed rate certificates was $174,033,000 and has been included in the financial statements as pension bonds payable.

For the year ended June 30, 2005, the combined principal and interest payments for both the bonds and certificates were $265,208,000 and $71,121,000, respectively. For governmental activities, the total debt service was $249,223,000. For business-type activities, the total debt service was $87,106,000. At June 30, 2005, the total outstanding principal, including accreted interest of $616,975,000 on both bonds and certificates, was $1,628,575,000.

6. PENSION PLAN-Continued

Pension Obligation Bonds and Certificates-Continued

The following is a summary of future funding requirements for all outstanding pension bonds and certificates (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2006	$ 231,952	$ 32,503	$ 81,068	$ 11,360
2007	140,963	141,525	49,274	49,461
2008	115,664	167,121	40,423	58,406
2009	86,377	151,001	30,188	52,773
2010	86,851	178,557	30,354	62,403
2011-2015	87,801	187,956	30,685	65,688
Total	$ 749,608	$ 858,663	$ 261,992	$ 300,091
Accretions	457,186		159,789	
Total Pension Bonds Payable	$1,206,794		$ 421,781	

Swap Transaction Related to Pension Bonds

In conjunction with the issuance of $327,400,000 of variable pension refunding bonds in 1996, the County entered into a swap transaction to create a synthetic fixed interest rate. The County also received an up-front payment of $19,036,000 from the counterparty.

The bonds, and the related swap agreement, mature on June 30, 2007. As of June 30, 2005, the swap's notional amount of $131,800,000 was the same as the principal amount of the outstanding bonds. Under the swap, the County is obligated to pay the counterparty a fixed rate of 6.48% and receives a variable payment based on the market interest rate of the variable bonds. The market interest rate is reset on a weekly basis and the rate as of June 30, 2005 was 2.21%.

"Credit risk" refers to the risk that the counterparty will not fulfill its obligations. As of June 30, 2005, the County was not exposed to credit risk because the swap transaction had a negative fair value of $7,948,000. However, should interest rates change, and the fair value of the swap becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aaa and AAA by Moody's and Standard and Poor's, respectively. If the counterparty's credit rating falls below Aa3 or AA-, or if the rating is suspended or withdrawn, the fair value of the swap will be fully collateralized by either U.S. Government or Government Guaranteed Agency securities. Collateral would be posted with a third-party trustee.

6. PENSION PLAN-Continued

Swap Transaction Related to Pension Bonds-Continued

The following is a summary of future funding requirements related to the variable rate pension bonds, net of swap payments associated with those bonds (in thousands):

Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2006	$ 61,300	$ 2,913	$ 5,628	$ 69,841
2007	70,500	1,558	3,010	75,068
Total	$ 131,800	$ 4,471	$ 8,638	$ 144,909

Post-Retirement Benefits

In addition to providing pension benefits, the County provides funding for certain health care benefits for all retired employees and their eligible dependents or survivors. There are approximately 50,000 retirees presently eligible to receive such benefits. LACERA is responsible for administering the benefits to the retirees.

The amount of funding required for health care benefits is dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. This ranges from 40% of the benchmark plan cost with ten completed years of service to 100% of the benchmark plan cost with 25 or more completed years of service. In general, each completed year of service after ten years reduces the member's cost by 4%. Service includes all service on which the member's retirement allowance was based.

Prior to 1996-97, the County fully subsidized the funding requirements for these benefits. In 1996-97, the County entered into an agreement with LACERA to establish an Internal Revenue Code Section 401(h) Account for use in connection with the County's payment of retiree health care costs. This agreement, which remains effective until terminated by either party or in the event excess earnings cease to be available, permits the use of LACERA excess earnings reserves to reduce the County's funding requirement for these benefits.

The cost of retiree health care is recognized when the County makes payments to LACERA. For the year ended June 30, 2005, the amounts of such payments were approximately $192,658,000, for governmental activities, and $39,782,000, for business-type activities. These amounts exclude $62,318,000 of LACERA excess earnings reserves, which were utilized to offset a portion of the total funding requirements.

7. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2005 (in thousands):

Year Ending June 30	Governmental Activities
2006	$ 71,342
2007	61,741
2008	50,465
2009	41,677
2010	23,508
2011-2015	44,394
2016-2020	842
2021-2025	29
Total	$ 293,998

Rent expenditures related to operating leases were $78,539,000 for the year ended June 30, 2005.

Capital Leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2005 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2006	$ 27,381	$ 477
2007	26,839	314
2008	26,687	149
2009	22,111	145
2010	16,946	148
2011-2015	46,729	
2016-2020	29,085	
2021-2025	28,725	
2026-2030	28,724	
2031-2035	7,095	
Total	260,322	1,233
Less: Amount representing interest	129,394	136
Present value of future minimum lease payments	$ 130,928	$ 1,097

7. LEASES-Continued

Capital Leases-Continued

The following is a schedule of property under capital leases by major classes at June 30, 2005 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 9,578	
Buildings and improvements	132,579	$ 1,200
Equipment	49,060	2,098
Accumulated depreciation	(47,296)	(2,081)
Total	$ 143,921	$ 1,217

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, various County golf courses and regional parks, and Asset Development Projects. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain golf courses and regional parks are leased under agreements which provide for activities such as golf course management and clubhouse operations, food and beverage concessions, and recreational vehicle camping. The Asset Development Projects are ground leases and development agreements entered into by the County for private sector development of commercial, industrial, residential and cultural uses on vacant or underutilized County owned property. The Asset Development leases cover remaining periods ranging generally from 1 to 83 years and are accounted for in the General Fund. The lease terms for the golf courses and regional parks cover remaining periods ranging from 1 to 30 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 62 years and are accounted for in the Debt Service Funds as a result of the issuance of certificates of participation related to the Marina del Rey Project area.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2005 (in thousands):

Year Ending June 30	Governmental Activities
2006	$ 36,377
2007	36,067
2008	35,473
2009	35,448
2010	35,447
Thereafter	1,229,040
Total	$ 1,407,852

7. LEASES-Continued

Leases of County-Owned Property-Continued

The following is a schedule of rental income for these operating leases for the year ended June 30, 2005 (in thousands):

	Governmental Activities
Minimum rentals	$ 36,372
Contingent rentals	14,695
Total	$ 51,067

8. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans payable, pension bonds payable (see Note 6), capital lease obligations (see Note 7) and other liabilities which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

A summary of bonds, notes and loans payable recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2005
Los Angeles County General Obligation Detention Facilities Bonds, 6.5% to 7.875%	$ 96,000	$ 16,205
Los Angeles County Flood Control District Storm Drain General Obligation Bonds, 2.5% to 8.5%	132,090	2,265
Los Angeles County Flood Control District Refunding Bonds 2.5% to 5.0%	143,195	119,615
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3% to 6%	349,690	369,229
Community Development Commission Notes Payable, 3.82% to 7.91%	51,045	32,297
NPC Bond Anticipation Notes 2.1% to 3.4%	15,750	15,750
NPC Bonds 2.4% to 4.0%	39,813	9,862

8. LONG-TERM OBLIGATIONS-Continued

	Original Par Amount of Debt	Balance June 30, 2005
Marina del Rey Certificates of Participation, 4.75% to 6.5%	189,491	66,828
Marina del Rey Loans Payable, 4.5% to 4.7%	23,000	21,841
Public Buildings Certificates of Participation, 2.8% to 7.75%	1,322,301	938,701
Total	$ 2,362,375	$ 1,592,593

A summary of bonds and notes payable recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2005
NPC Bond Anticipation Notes, 2.1% to 3.4%	$ 9,250	$ 9,250
NPC Bonds 2.4% to 4.0%	23,382	5,793
Public Buildings Certificates of Participation, 2.8% to 7.0%	262,599	182,156
Commercial Paper, 2.37% to 2.85%	187,400	187,400
Waterworks District Bonds, 3.3% to 8.0%	1,335	181
Community Development Commission Mortgage Notes, 0.00% to 7.3%	11,384	6,471
Total	$ 495,350	$ 391,251

General Obligation Bonds

The County issued general obligation bonds in 1986 to finance detention facilities. The Flood Control District issued general obligation bonds to finance flood control projects. Waterworks Districts issued general obligation bonds to finance water system projects. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Principal and interest requirements on general obligation long-term debt are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2006	$ 8,995	$ 1,379	$ 45	$ 15
2007	9,105	704	15	12
2008	370	9	17	11
2009			18	9
2010			19	7
2011-2015			67	10
Total	$ 18,470	$ 2,092	$ 181	$ 64

8. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds

The Regional Park and Open Space District issued voter approved assessment bonds in 1997 to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 3, the bonds were purchased by the Public Works Financing Authority and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the proceeds of annual assessments levied on parcels within the District's boundaries.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Interest
2006	$ 23,980	$ 17,150
2007	21,475	16,021
2008	22,630	14,835
2009	23,670	13,644
2010	24,835	12,441
2011-2015	144,155	41,681
2016-2020	88,945	9,607
Total	$ 349,690	$ 125,379

Certificates of Participation

The County has issued certificates of participation through various financing entities that have been established by, and are component units of, the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed. Principal and interest requirements on certificates of participation are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2006	$ 145,403	$ 47,064	$ 29,933	$ 11,548
2007	77,364	45,355	22,125	8,914
2008	78,969	42,692	22,066	7,849
2009	80,415	39,782	12,151	7,036
2010	78,214	37,060	12,012	6,393
2011-2015	312,052	146,591	64,144	22,981
2016-2020	92,288	125,023	15,513	4,643
2021-2025	111,399	46,897		
2026-2030	70,855	17,538		
2031-2035	32,545	3,227		
Total	$ 1,079,504	$ 551,229	$177,944	$ 69,364

8. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Commercial Paper

Bond Anticipation Notes (BANS) are issued by the Los Angeles County Capital Assets Leasing Corporation (Equipment Acquisition Internal Service Fund) to provide interim financing for equipment purchases. BANS are purchased by the County Treasury Pool and are payable within five years. In addition, the BANS are issued with a formal agreement that, in the event they are not liquidated by the five-year period, they convert to capital leases with a three-year term secured by County real property.

Community Development Commission notes are secured by annual contributions from the United States Department of Housing and Urban Development (HUD) and housing units constructed with the note proceeds. Commission mortgage notes are secured by revenues from the operation of housing projects and from housing assistance payments from HUD.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

Tax-exempt commercial paper notes (TECP) are issued by the County to pay for the construction costs of the LAC+USC Medical Center replacement facility. Repayment of the TECP is secured by a letter of credit and a sublease of twenty-one County-owned properties. Pursuant to the underlying leases, the County is able to amortize the remaining TECP over the useful life of the underlying assets. The term of individual commercial paper notes may not exceed 270 days.

Principal and interest requirements on notes, loans, and commercial paper are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2006	$ 10,075	$ 2,594	$ 189,865	$ 246
2007	14,500	2,501	8,060	200
2008	1,992	2,405	710	151
2009	2,096	2,300	830	99
2010	1,926	2,197	355	45
2011-2015	12,248	9,091	350	13
2016-2020	12,583	5,541	965	
2021-2025	9,063	2,225		
2026-2030	5,405	622		
Indeterminate maturity			1,986	
Total	$ 69,888	$ 29,476	$ 203,121	$ 754

8. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
General Obligation Bonds	$ 18,470	2,092	$ 181	64
Assessment Bonds	349,690	125,379		
Certificates of Participation	1,079,504	551,229	177,944	69,364
Notes, Loans, and Commercial Paper	69,888	29,476	203,121	754
Subtotal		708,176		70,182
Add: Accreted Interest	62,545			
Unamortized Bond Premiums	37,629		10,005	
Less: Unamortized Loss on Advance Refunding of Debt	(25,133)			
Total Bonds and Notes Payable	$ 1,592,593		$ 391,251	

Long-term liabilities recorded in the Government-wide Statement of Net Assets include accreted interest on zero coupon bonds, unamortized bond premiums, and unamortized losses on advance debt refundings.

Advance Refunding of Debt

On February 15, 2005, the County issued $181,220,000 of Regional Park and Open Space District revenue refunding bonds, maturing on various dates between 2005 and 2019. These bonds with an average interest rate of 3.50%, were issued to partially refund the outstanding principal amount of $188,175,000 of bonds issued in 1997 at an interest rate of 5.05%.

On March 1, 2005, the County issued $393,315,000 of Public Buildings lease revenue refunding bonds, maturing on various dates between 2005 and 2032. These bonds, with an average interest rate of 3.85%, were issued to refund the outstanding principal amount of $433,655,000 of bonds issued between 1993 and 1997 at interest rates ranging from 5.26% to 5.79%.

U.S. Government securities were purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the refunded bonds were considered to be defeased and the liabilities for those bonds were removed from the Government-Wide Statement of Net Assets - Governmental Activities. Specific disclosures related to each refunding issue are as follows (in thousands):

8. LONG-TERM OBLIGATIONS-Continued

Advance Refunding of Debt-Continued

	February 2005 Refunding	March 2005 Refunding
Proceeds of refunding bonds issued	$ 181,220	$ 393,315
Prior years' bond reserves and/or premiums	20,691	28,095
Deposit to escrow	$ 201,911	$ 421,410
Future years' aggregate debt service payment reduction	$ 19,122	$ 105,058
Present value savings (economic gain)	$ 12,608	$ 30,039

For each of the two advance refunding transactions, the carrying amount of the refunded debt was less than the reacquisition price. These differences were $13,736,000 and $25,133,000, respectively, for the February 2005 and March 2005 refunding transactions. These amounts have been reported as reductions of the amount of outstanding debt in the basic financial statements.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for the defeased bonds are not reflected in the County's financial position. At June 30, 2005, the amount of outstanding bonds and certificates of participation considered defeased was $519,160,000. All of this amount was related to governmental activities.

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2005 (in thousands):

	Balance July 1, 2004	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2005	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,724,734	$ 505,571	$ 637,712	$ 1,592,593	$ 190,945
Pension bonds payable (Note 6)	1,344,056	63,366	200,628	1,206,794	231,952
Capital lease obligations (Note 7)	135,258	7,341	11,671	130,928	14,571
Accrued vacation and sick leave	588,449	65,800	47,686	606,563	46,606
Workers' compensation liability (Note 15)	2,163,712	217,368	270,954	2,110,126	353,975
Litigation and self-insurance liability (Note 15)	384,700	54,485	35,898	403,287	98,501
Third party payor liability	26,512	19,016	24,911	20,617	20,617
Total governmental activities	$6,367,421	$ 932,947	$1,229,460	$ 6,070,908	$ 957,167

8. LONG-TERM OBLIGATIONS-Continued

Changes in Long-Term Liabilities-Continued

Business-type activities:					
Bonds and notes payable	$ 411,389	$ 221,998	$ 242,136	$ 391,251	$ 220,939
Pension bonds payable (Note 6)	469,756	22,147	70,122	421,781	81,068
Capital lease obligations (Note 7)	1,499		402	1,097	421
Accrued vacation and sick leave	107,464	13,450	10,810	110,104	9,327
Workers' compensation liability (Note 15)	392,889	27,358	42,655	377,592	57,903
Litigation and self-insurance liability (Note 15)	222,093	22,800	20,818	224,075	31,543
Third party payor liability (Note 11)	350,170	32,049	11,002	371,217	11,906
Total business-type activities	$ 1,955,260	$ 339,802	$ 397,945	$1,897,117	$ 413,107

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the Public Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued vacation and sick leave and litigation and self-insurance liabilities.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes Payable and Pension Bonds Payable. Amounts accreted in previous years were paid during 2004-2005 thereby reducing liabilities for Bonds and Notes Payable by $12,834,000 for governmental activities. Liabilities for Pension Bonds Payable were increased for governmental and business-type activities by $63,366,000 and $22,147,000, respectively, for interest accretions. Note 15 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance liabilities.

9. SHORT-TERM DEBT

On July 1, 2004, the County issued $600 million of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 1.6%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2004. The notes matured and were redeemed on June 30, 2005.

10. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2005, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $97,541,000 and limited obligation improvement bonds totaling $17,249,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County, and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

10. CONDUIT DEBT OBLIGATIONS-Continued

Community Facilities and Improvement District Bonds-Continued

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund. Revenues have been recorded (proceeds from property owners) to reflect the bond proceeds issued for capital improvements.

Residential Mortgage Revenue Bonds

Residential Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed and existing single family residences in the County. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds have been issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. The amount of Mortgage Revenue Bonds issued since inception of the programs approximates $1,445,164,000. The amount of bonds outstanding as of June 30, 2005 was not determinable.

The bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2005, the amount of industrial development and other conduit bonds outstanding was $19,435,000.

11. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project

For fiscal year 1995-96, Federal, State, and County officials approved a Medicaid Demonstration Project ("Project") to enable the County to stabilize and restructure its health care system. The basis for the Project required a shift in emphasis from conventional inpatient care to preventive, primary, and outpatient care. The Project was initially approved for a five-year period that was scheduled to end on June 30, 2000. The status of the Project's extension for an additional five-year period is discussed in the next segment of this Note.

Medicaid Demonstration Project Extension

The Federal Health Care Financing Administration, now known as the Centers for Medicare & Medicaid Services (CMS), granted an extension and phase-out of the Project over a term of five years (July 1, 2000 through June 30, 2005), to assist the County in restructuring its health care delivery system.

As part of this extension agreement, the County committed to use $300 million of tobacco litigation settlement revenues and an additional $100 million of General Fund contributions for Project-related services during the extension period. Also, as part of this extension agreement, a minimum of $40 million in State and County funds at a 2 to 1 ratio, respectively, was made available over the course of the extension period to fund the system's workforce training needs, as identified in the CMS/Department of Labor approved work plan.

For the period July 1, 2000 through June 30, 2005, CMS provided Federal Financial Participation (FFP) at the applicable Federal-matching rate for the Federally Reimbursable Ambulatory Care Service Costs and the Supplemental Project Pool for both the Department of Health Services and Department of Mental Health. Payments for these components did not exceed the annual and total budget limits as follows (in thousands):

Fiscal Year	Percent Limit on Demonstration FFP	Dollar Limit on Demonstration FFP
2000-01	100%	$ 246,600
2001-02	100%	246,600
2002-03	75%	185,000
2003-04	55%	135,500
2004-05	35%	86,300
2005-06 post-extension	0%	
Total		$ 900,000

To provide increased funding to the County for outpatient services, CMS approved an amendment to the State Medi-Cal Plan, effective July 1, 2000, to provide cost-based reimbursement for County-operated and contracted facilities for covered outpatient services rendered to Medi-Cal beneficiaries.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medicaid Demonstration Project Extension-Continued

If the County does not meet specified milestones in the "Terms and Conditions" provisions of the extension agreement, the State may impose sanctions on the County of up to 18 percent of the Supplemental Project Pool and 10 percent of the Federally Reimbursable Ambulatory Care Service Cost claim, depending on the program. The County believes that it met the requirements; however, external auditors found that, in many cases, it did not. The County has contested these findings and is awaiting a final decision by the State.

The Project Federal Financial Participation (FFP) revenues recognized in the Hospital Enterprise Funds totaled $71.7 million for the year ended June 30, 2005 and consisted of the following:

- $52.8 million in additional Medi-Cal matching funds for indigent care at health centers and outpatient facilities.

- $18.9 million in increased Medi-Cal funding for providing at least 450,000 outpatient visits.

The County transitioned to a new method of health care financing effective fiscal year 2005-06 (see Note 18).

Medi-Cal and Medicare Programs

A substantial portion of the Hospitals' revenue is derived from services provided to patients eligible for benefits under the Medi-Cal and Medicare programs. Medi-Cal acute inpatient services are reimbursed at a contractually agreed upon per-diem rate. Services to inpatient Medicare program beneficiaries are primarily paid under prospectively determined rates-per-discharge based upon diagnostic related groups (DRGs). Cost Based Reimbursement Clinics (CBRC) funding became effective on July 1, 2000, as part of the 1115 Waiver Extension, and was scheduled to expire on June 30, 2005. A new state plan amendment to extend CBRC is pending with the federal government. CBRC reimburses at 100 percent of reasonable costs for Medi-Cal outpatient services provided to Medi-Cal beneficiaries at hospital-based clinics and health centers (excluding clinics that provide predominately public health services). Certain other services to Medicare beneficiaries are reimbursed based on fee schedule or other rates. Revenues from Medi-Cal and Medicare programs represent approximately 86% and 4% respectively, of net patient care revenue for the year ended June 30, 2005.

Medi-Cal cost audit reports have been issued for all hospitals through Fiscal Year 2001-02 with the exception of Martin Luther King, Jr./Drew Medical Center (King). Medi-Cal CBRC Fiscal Year 2001-02 audit reports have been issued for all hospitals except for King. Fiscal Year 2002-03 audit reports for both Medi-Cal inpatient services and Medi-Cal CBRC have not been issued and the audits are in progress.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal and Medicare Programs-Continued

The Medicare audits have been completed for Fiscal Year 1998-99 at all hospitals. The notices of program reimbursement have been received for all hospitals. For Fiscal Year 1999-2000, the audits have been completed at all hospitals; however, the notice of program reimbursement has not been issued for LAC+USC Medical Center (LAC+USC) and Rancho Los Amigos National Rehabilitation Center (Rancho). For Fiscal Year 2000-01, only King, Olive View/UCLA Medical Center and High Desert Hospital have been audited and the notices of program reimbursement have been issued. For Fiscal Year 2001-02, only Rancho's audit has been completed and the notice of program reimbursement has been issued. For Fiscal Years 2002-03 and 2003-04, the audits have not been scheduled.

The Hospitals have various outstanding appeals pertaining to Medi-Cal and Medicare audit settlements. There are also outstanding Medi-Cal appeals related to health centers. These amounts have not been recorded, as the outcome is not certain. The County believes the final resolution of the appeals will not have a material effect on its financial condition.

The Hospitals, excluding health centers, also received revenues from the following programs:

During FY 1991-92, SB 855 and SB 146 were enacted to provide higher Medi-Cal reimbursement rates to Disproportionate Share Hospitals ("DSH"). These are hospitals which provide a disproportionate share of services to Medi-Cal and other low income patients. The law requires certain public entities to contribute matching funds to the State. These funds, along with additional Federal revenues, are utilized by the State to fund the supplemental payment amounts.

SB 855 funds cannot exceed each hospital's DSH limits as mandated under OBRA '93. As a result of the original 1115 Waiver, the Department of Health Services may have received SB 855 funds beyond its OBRA '93 DSH limits for the fiscal year ended June 30, 1996 (estimated to be $104 million) in cash flow assistance which may be an obligation that is expected to be repaid in the future, and has been recorded as a liability ("Estimated Liability to Third-Party Payors") of the Hospital Enterprise Funds in the accompanying basic financial statements. Additional potential obligations totaling $89.4 million have also been recognized as liabilities in the basic financial statements as of June 30, 2005. The amount includes $61.0 million and $28.4 million related to Fiscal Years 1996-97 and 1997-98, respectively.

SB 1255, which became effective in 1990, established the State Disproportionate Share and Emergency Services Fund to receive contributions from public agencies. The State utilizes these funds to obtain additional Federal matching funds. The total is then distributed to the hospital applicants through a negotiation process with the California Medical Assistance Commission. To be eligible to receive funds, among other requirements, a hospital must be a disproportionate share provider.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Office of Inspector General

The Office of Inspector General (OIG) performed an audit to verify that Medi-Cal's Fiscal Year (FY) 1997-98 Disproportionate Share Hospital (DSH) payments to the six Los Angeles County hospitals did not exceed their OBRA '93 limits. The OIG Audit found that the DSH payments to four of the six LAC hospitals exceeded their respective FY 1997-98 OBRA '93 limits by more than a total of $195 million ($98 million federal share). According to the OIG, the excess payments occurred because the State's DSH payment formula did not limit hospitals' total operating expenses to amounts that would be allowable under Medicare cost principles. The State and the County strongly disagreed with the audit findings and submitted written objections to many of the points raised by the OIG.

The OIG recommended that the State work with CMS to address and resolve the DSH payments in excess of the limits. In its approval of the State's application for renewal of its Selective Provider Contracting Program (SPCP) waiver for the period of January 1, 2003 through December 31, 2004, CMS agreed to permit the State to make DSH payments to the Los Angeles County hospitals without applying Medicare cost principles, but required the State to exclude any amounts not related to patient care from its calculations of the hospitals' operating expenses and to modify its treatment of bad debt. CMS has agreed not to pursue retroactive recovery of overpayments found by the OIG as long as the State corrects the formula in its State Plan prospectively.

The State has complied with CMS' requirement to submit a state plan amendment ("SPA") regarding bad debt and CMS has accepted the SPA. The State believes that the other changes can be made administratively, and has done so and has sought CMS approval for what it has done. An issue remains as to whether CMS will accept these changes without a formal SPA. Even if this issue can not be satisfactorily resolved, the County believes that the potential liabilities of $98 million will not significantly affect the County's financial position.

Other Program Revenues

Proposition 99 imposes an additional State excise tax on cigarettes and other tobacco products. The increased taxes on tobacco products generate additional revenues for health care, research, health education, and public resources. State Assembly Bill 75 allocates these revenues to health care providers based upon their share of the financial burden for providing care to persons who are uninsured or otherwise unable to pay for care. The County's share of the AB 75 California Healthcare for the Indigent Program (CHIP) revenues for the year ended June 30, 2005 was $11.8 million.

Revenues related to the aforementioned programs are included in the accompanying basic financial statements as hospital operating revenues. Uncollected amounts are reported as Accounts Receivable. Claims for these programs are subject to audit by State and/or Federal agencies.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Intergovernmental Transfers

The County of Los Angeles provides funding for the State's share of the Medicaid Demonstration Project Supplemental Project Pool (SPP) and a portion of the State's share of the SB 855 and SB 1255 programs by transferring funds to the State from the County's General Fund. These transferred funds are referred to as intergovernmental transfers (IGT) and are used by the State to draw down federal matching funds. The IGT funds transferred to the State by the County and the matching federal funds are utilized by the State to provide supplemental funding to the County, and in some instances other providers, under the SPP, SB 855 and SB 1255 programs.

The transfer of County General Funds to the State (IGT) is initially recorded as a health expenditure of the General Fund. At the time the Hospitals recognize the supplemental funding received (net patient services revenue) under one of the aforementioned programs, the General Fund distributes the cost of the IGTs to each of the Hospitals. This cost is reflected as a non-operating expense by each Hospital in its Statement of Revenues, Expenses, and Changes in Fund Net Assets. For the year ended June 30, 2005, the cost of the IGTs and the supplemental funding received are as follows (in thousands):

Program	Intergovernmental Transfers Expense	Revenues
Medicaid Demonstration Project (SPP)	$ 18,882	$ 37,764
SB 855	444,442	599,788
SB 1255	451,500	855,500
Total	$ 914,824	$1,493,052

During the fiscal year, the County changed its accounting method to initially record the IGT as a health expenditure in each of the hospital funds. This new accounting method did not have an impact on the financial statements.

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through one of the Department's Reduced Cost Health Care plans, through other eligibility plans utilized by the Department, by the Treasurer-Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter.

11. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care-Continued

The total amount of such charity care provided by the hospitals for the fiscal year ended June 30, 2005, based on established rates, is as follows (in thousands):

Charges forgone	$1,395,615
Less: Federal and State subventions	11,809
Net charges forgone	$1,383,806

Restructuring of the County's Health Care Delivery System

As indicated in the "Medicaid Demonstration Project Extension" segment of this note, the County's augmented reimbursement for health services expired during fiscal year 2004-2005. To address projected budget deficits, the Board approved two strategic plans that provided several options for a redesigned Health Care Delivery System (System).

As of June 30, 2005, the Department has not been able to fully implement either of these plans because of a preliminary injunction issued by a federal district court prohibiting any service reductions at these two facilities. On August 9, 2005, the Board of Supervisors approved negotiated settlement to the lawsuits with the plaintiffs. One settlement is awaiting final approval by the courts and the implementation process for the other has begun. The settlements allow for the phased reduction of beds at LAC+USC contingent upon meeting agreed upon milestones in length of stay reduction. The settlements also call for the Department to continue to operate Rancho, although at a reduced size with only core rehabilitation services, for three years while the County simultaneously seeks an entity to take-over the operations of the hospital.

In Fiscal Year 2004-05 the incremental cost of operating Rancho and not reducing 100 acute beds at LAC+USC was $53.9 million and $29.8 million, respectively.

At the end of the current fiscal year, High Desert Health Systems and Antelope Valley Rehabilitation Center have been transferred from the High Desert Hospital Enterprise Fund to the Olive View/UCLA Medical Center Enterprise Fund.

12. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for "internal balances" that are reflected between the governmental and business-type activities. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2005.

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2005 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 3,758
	Flood Control District	3,657
	Public Library	3,294
	Regional Park and Open Space District	4,500
	Internal Service Funds	5,073
	Harbor UCLA Medical Center	47,553
	Olive View UCLA Medical Center	66,109
	LAC+USC Medical Center	270,241
	M.L. King/Drew Medical Center	71,985
	Rancho Los Amigos Medical Center	12,568
	Nonmajor Enterprise Funds	412
	Nonmajor Governmental Funds	67,060
		556,210
Fire Protection District	General Fund	5,284
	Flood Control District	4
	Internal Service Funds	4
	LAC+USC Medical Center	14
	Nonmajor Governmental Funds	7
		5,313
Flood Control District	General Fund	264
	Internal Service Funds	8,123
	Nonmajor Governmental Funds	37
		8,424
Public Library	General Fund	1,845
	Internal Service Funds	3
	Nonmajor Governmental Funds	248
		2,096
Regional Park and Open Space District	General Fund	2,257
Internal Service Funds	General Fund	10,078
	Fire Protection District	19
	Flood Control District	12,877
	Public Library	8
	Regional Park and Open Space District	8
	LAC+USC Medical Center	40
	M. L. King/Drew Medical Center	26

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Internal Service Funds-Continued	Rancho Los Amigos Medical Center	28
	Nonmajor Enterprise Funds	4,206
	Nonmajor Governmental Funds	22,640
		49,930
Harbor UCLA Medical Center	General Fund	105,204
	Fire Protection District	3
	Olive View UCLA Medical Center	12,906
	LAC+USC Medical Center	34,120
	M.L. King/Drew Medical Center	234
	Rancho Los Amigos Medical Center	71
	Nonmajor Governmental Funds	18,120
		170,658
Olive View UCLA Medical Center	General Fund	68,843
	Fire Protection District	24
	Harbor UCLA Medical Center	23
	LAC+USC Medical Center	46,561
	Rancho Los Amigos Medical Center	18
	Nonmajor Governmental Funds	20,898
		136,367
LAC+USC Medical Center	General Fund	686,317
	Fire Protection District	49
	Harbor UCLA Medical Center	3,733
	Olive View UCLA Medical Center	3,430
	M.L. King/Drew Medical Center	2,403
	Rancho Los Amigos Medical Center	1,044
	Nonmajor Governmental Funds	20,101
		717,077
M. L. King/Drew Medical Center	General Fund	59,467
	Fire Protection District	26
	Harbor UCLA Medical Center	27
	LAC+USC Medical Center	54,635
	Rancho Los Amigos Medical Center	71
	Nonmajor Governmental Funds	12,255
		126,481
Rancho Los Amigos Medical Center	General Fund	54,309
	Harbor UCLA Medical Center	2
	LAC+USC Medical Center	10
	M.L. King/Drew Medical Center	25
		54,346

12. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Nonmajor Enterprise Funds	General Fund	2
	Internal Service Funds	853
		855
Nonmajor Governmental Funds	General Fund	7,586
	Flood Control District	12
	Internal Service Funds	9,958
	Olive View UCLA Medical Center	144
	Nonmajor Governmental Funds	6,490
		24,190
Total Interfund Receivables/Payables		$1,854,204

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the Public Library and the six hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to reimburse eligible costs incurred.

Interfund transfers to/from other funds for the year ended June 30, 2005 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Public Library	$ 25,961
	Internal Service Funds	115
	Harbor UCLA Medical Center	51,990
	Olive View UCLA Medical Center	43,095
	LAC+USC Medical Center	306,984
	M.L. King/Drew Medical Center	42,365
	High Desert Hospital	42,642
	Rancho Los Amigos Medical Center	61,407
	Nonmajor Governmental Funds	158,567
		733,126
Fire Protection District	Nonmajor Governmental Funds	28,011
Flood Control District	Internal Service Funds	609
	Nonmajor Governmental Funds	17,578
		18,187
Public Library	General Fund	21
	Nonmajor Governmental Funds	1,801
		1,822
Regional Park and Open Space District	Nonmajor Governmental Funds	38,109

12. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Internal Service Funds	General Fund	1,468
Olive View UCLA Medical Center	High Desert Hospital	12,941
	Nonmajor Governmental Funds	303
		13,244
M. L. King/Drew Medical Center	Nonmajor Governmental Funds	1
Nonmajor Enterprise Funds	Internal Service Funds	218
	Nonmajor Governmental Funds	5,711
		5,929
Nonmajor Governmental Funds	General Fund	74,579
	Fire Protection	48
	Public Library	55
	Regional Park and Open Space District	1,056
	Internal Service Funds	851
	Harbor UCLA Medical Center	32,949
	Olive View UCLA Medical Center	24,642
	LAC+USC Medical Center	65,222
	M.L. King/Drew Medical Center	22,007
	Rancho Los Amigos Medical Center	22
	Nonmajor Governmental Funds	63,712
		285,143
Total Interfund Transfers		$1,125,040

Short-term Advances

Advances from/to other funds at June 30, 2005 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Funds	$ 5,867
	Harbor UCLA Medical Center	95,131
	Olive View UCLA Medical Center	96,407
	LAC+USC Medical Center	117,458
	M.L. King/Drew Medical Center	117,125
	Rancho Los Amigos Medical Center	13,349
		445,337
Flood Control District	Internal Service Funds	6,544
Nonmajor Enterprise Funds	Internal Service Funds	1,159
Nonmajor Governmental Funds	Internal Service Funds	8,430
	Nonmajor Government Funds	2,100
		10,530
Total Short-term Advances		$ 463,570

12. INTERFUND TRANSACTIONS-Continued

Short-term Advances-Continued

The General Fund makes short-term advances to assist the Hospital Funds in meeting their cash flow requirements. The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations.

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP

The County's Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual on Budgetary Basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental fund statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

- For budgetary purposes, designations are recorded as other financing uses at the time they are established. Although designations are not legal commitments, the County recognizes them as uses of budgetary fund balance. Designations that are subsequently cancelled or otherwise made available for appropriation are recorded as other financing sources.

- For the General Fund, obligations for accrued vacation and sick leave and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation No. 6.

- In conjunction with the sale of pension obligation bonds in 1994-95, the County sold the right to future investment income on debt service deposits. Under the budgetary basis, the proceeds were included in 1994-95 revenues. Under the modified accrual basis, the proceeds were recorded as deferred revenue (unearned) and are being amortized over the life of the bonds. This matter is also discussed in Note 6.

- Under the budgetary basis, revenues (primarily intergovernmental) are recognized at the time encumbrances are established for certain programs and capital improvements. The intent of the budgetary policy is to match the use of budgetary resources (for amounts encumbered, but not yet expended) with funding sources that will materialize as revenues when actual expenditures are incurred. Under the modified accrual basis, revenues are not recognized until the qualifying expenditures are incurred.

- Under the budgetary basis, property tax revenues are recognized to the extent that they are collectible within one year after year-end. Under the modified accrual basis, property tax revenues are recognized only to the extent that they are collectible within 60 days.

- For budgetary purposes, investment income is recognized prior to the effect of changes in the fair value of investments. Under the modified accrual basis, the effects of such fair value changes have been recognized.

13. BUDGETARY ACCOUNTING CHANGES/RECONCILIATION BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

The following schedule is a reconciliation of the budgetary and GAAP fund balances (in thousands):

	General Fund	Fire Protection District	Flood Control District	Public Library	Regional Park and Open Space District
Fund balance - budgetary basis	$ 908,610	$ 29,949	$ 13,482	$ 4,409	$ 129,047
Reserves and designations	1,417,652	91,338	112,613	8,306	111,080
Subtotal	2,326,262	121,287	126,095	12,715	240,127
Adjustments:					
Reversal of estimated liability for litigation and self-insurance claims	103,286	(459)		81	
Reversal of accrued vacation and sick leave benefits	38,270				
Deferral of unearned investment income	(20,056)	(991)		(220)	
Change in revenue accruals	(121,033)	(16,648)	(4,799)	(2,151)	(1,325)
Subtotal	467	(18,098)	(4,799)	(2,290)	(1,325)
Fund balance - GAAP basis	$2,326,729	$ 103,189	$ 121,296	$10,425	$ 238,802

14. COMMITMENTS

Construction Commitments

At June 30, 2005, the LAC+USC Medical Center Hospital Enterprise Fund had contractual commitments of approximately $202,978,000 to provide for the construction of the LAC+USC Medical Center replacement facility. The construction is currently being financed by commercial paper and a grant from the Federal Emergency Management Agency.

LACERA Capital Commitments

At June 30, 2005, LACERA had outstanding capital commitments to various investment managers, approximating $2,080,000,000. Subsequent to June 30, 2005, LACERA funded $108,000,000 of these capital commitments.

Investment Purchase Commitments

At June 30, 2005, the County had open trade commitments with various brokers to purchase investments approximating $199,816,000 with settlement dates subsequent to year end. These investment transactions had not been recorded as of June 30, 2005 since the County neither takes delivery of the securities nor earns interest on the investments until the settlement date. By July 1, 2005, the County had purchased such investments.

15. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as aviation, employee fidelity, boiler and machinery in certain structures, art objects, catastrophic hospital general liability, volunteer, special events, public official bond, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been no settlements related to these programs that exceeded insurance coverage in the last three years. The County also has insurance on most major structures. Losses did not exceed coverage in 2003-2004 or 2004-2005.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation and long-term disability, medical malpractice, law enforcement, theft and damage to property including natural disasters, errors and omissions, and torts. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and subrogation of approximately 10% of the total liabilities. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

As indicated in the following table, the County’s workers’ compensation liabilities as of June 30, 2005 were approximately $2.488 billion. This amount is undiscounted and is based on an actuarial study of the County’s self-insured program as of June 30, 2005. Approximately $252 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2005, the County's best estimate of these liabilities is $3.115 billion. Changes in the reported liability since July 1, 2003 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2003-2004				
Workers’ Compensation	$ 2,284,625	$ 646,922	$ 374,946	$ 2,556,601
Other	733,128	60,458	186,793	606,793
Total 2003-2004	$ 3,017,753	$ 707,380	$ 561,739	$ 3,163,394
2004-2005				
Workers’ Compensation	$ 2,556,601	$ 244,726	$ 313,609	$ 2,487,718
Other	606,793	77,285	56,716	627,362
Total 2004-2005	$ 3,163,394	$ 322,011	$ 370,325	$ 3,115,080

15. RISK MANAGEMENT-Continued

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $197 million (including the $98 million discussed in Note 11) are possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

In addition to the aforementioned lawsuits, there are unasserted claims approximating $150 million as a result of a federal court decision which ordered the California Secretary of State to decertify the use of punch card voting systems. The County has implemented an interim paper-based voting system to replace the punch card system and is continuing to evaluate new technologies in this area.

In November 2003 and May 2004, the Secretary of State issued directives that will require all existing and new touch screens to have an accessible voter verifiable paper audit trail. In the opinion of County Counsel, it is reasonably possible for the County to incur costs of approximately $150 million to comply with the regulatory requirements if the County were to replace the current paper-based voting system to a touch screen voting system. However, it is also reasonable to assume that both federal and State funding would be available to offset at least a portion of such costs. During 2003-2004, the County received approximately $15.8 million from the State as advance funding to comply with some of the new requirements. County management believes that the timing of this matter is uncertain and its final outcome will not have a material affect on the County's financial condition.

Litigation Related to Pension Benefits

In addition to the aforementioned claims, the County and LACERA have been named as defendants in a number of lawsuits that seek to expand the types of benefits to be applied in determining pension compensation.

The most significant of these items sought to expand the types of employee compensation that was includable in the determination of pension benefits. As a result of a series of Court decisions related to this issue, LACERA's actuary assumed a present value estimate of $190 million as an additional unfunded actuarial accrued liability (UAAL). This estimated was included in the actuarial valuation of the County's pension conducted as of June 30, 2003. Revised County contribution rates were recommended by the actuary and included in a provision to fund the UAAL over a rolling thirty year period. These rates were adopted by the Board of Supervisors (Board) and were effective throughout 2004-2005. During the current year, the Board authorized an agreement with all parties to the litigation for joint submission in the trial court. The settlement establishes the County's actuarial liability for this matter at $176.9 million. This amount will update the previously estimated amount of $190 million, will be factored into the subsequent actuarial study, and will continue to be amortized over thirty years.

The final outcome of two other significant pension benefit litigation issues is still pending. One matter pertains to the effect of certain employee benefits (commonly known as "flexible benefits") on final pension compensation. The second matter pertains to a group of employees classified as temporary or recurrent. This group of employees is seeking enhanced pension benefits. The total estimated exposure for these issues approximates $54 million. The County's ultimate liability for these matters would be added to the UAAL and would be funded over 30 years.

16. PROPOSITIONS 218 AND 62

In November 1996, the voters approved the "Right To Vote on Taxes Act" (Proposition 218) which limits the County's ability to levy general and special taxes without voter approval and property related benefit assessments without property owner approval. In September 1998, the Board of Supervisors approved ordinance amendments to bring the County's general purpose taxes into conformance with Proposition 218.

In September 1995, the California Supreme Court upheld the constitutionality of Proposition 62, which requires voter approval of all new local taxes. Taxes imposed without voter approval after the 1986 effective date of Proposition 62 may be invalidated. The Court did not provide clarification about whether the decision would apply only prospectively to all new taxes or retrospectively to all taxes since the effective date of the Proposition. Accordingly, there is uncertainty about the validity of taxes currently being collected and as of June 30, 2005, a portion ($204.7 million) of the General Fund's designation for budgetary uncertainties pertained to such collections.

17. SPECIAL ITEM-SALE OF ACCOUNTS RECEIVABLE

During the year, the County sold accounts receivable which were attributable to the pending receipt of State vehicle license fees approximating $204,710,000. The fees were originally receivable by the County from the State in FY 2003-2004. Due to severe budget shortfalls at that time, the State deferred payment of such amounts and indicated its intent to pay the County in FY 2006-2007. The withheld funds have been commonly referred to as the Gap Loan Receivable.

In August 2004, State legislation was specifically adopted to permit cities and counties to sell Gap Loan Receivables. The County sold its receivable to the JPA Public Works Financing Authority (PWFA), a component unit. The PWFA issued Gap Loan Receivable Notes (Notes) with a par value of $204,710,000 and received a premium of $6,563,000. The Notes mature on December 1, 2006 and the total proceeds of $211,273,000 were applied as follows (in thousands):

Capitalized interest	$ 15,603
Fees and expenses	7,177
Net proceeds to County	188,493
Total	$ 211,273

The capitalized interest proceeds were deposited with an independent trustee bank (Trustee) to provide for semi-annual interest payments through the final maturity date. The County has also irrevocably instructed the State to remit payments of the Gap Loan Receivable directly to the Trustee.

The Notes are secured solely by the County's receivable from the State. Under no circumstances will the County or the PWFA be obligated to pay the debt service on the Notes except from amounts received from the Gap Loan Receivable. The credit status of the State has been relied upon to issue the Notes, which do not constitute a charge against the general credit of the County or the PWFA. Accordingly, a liability has not been recorded for the Notes in the accompanying basic financial statements.

17. SPECIAL ITEM-SALE OF ACCOUNTS RECEIVABLE-Continued

Government-wide Financial Statements

Due to the severity of the State's budgetary shortfalls, there was no carrying value established for the Gap Loan Receivables in the fiscal year 2003-2004 Government-wide Financial Statements. Accordingly, this transaction has been recorded as a "Special Item-Gain on Sale of Receivables" for the entire amount of the net proceeds ($188,493,000) realized when such receivables were sold.

Fund Financial Statements

The County established a new capital project fund (referred to as the Gap Loan Capital Projects Fund) to account for the net proceeds from the sale of the Gap Loan Receivables. The net proceeds ($188,493,000) have been recorded as a "Special Item-Proceeds from Sale of Receivables" and their usage is legally restricted to capital spending.

18. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes ("TRANS")

On July 1, 2005, the County issued $500,000,000 in 2005-06 TRANS which will mature on June 30, 2006. The TRANS are collateralized by taxes and other revenues attributable to the 2005-06 fiscal year and were issued in the form of Fixed Rate Notes at an interest rate of 2.54%.

Public Works Financing Authority-Flood Control District Revenue Bonds Series 2005A

On July 13, 2005, the Authority issued $20,540,000 in revenue bonds maturing from 2006 to 2025, with interest rates ranging from 4% to 4.125%. The bond proceeds will be used to finance the design, renovation, and seismic retrofitting of the District's headquarters building.

Capital Asset Leasing Corporation Bond Anticipation Notes

On both July 21, 2005 and September 1, 2005, the Corporation issued a $5,000,000 Bond Anticipation Note each with an initial interest rate of 3.389%. The rate is adjustable on January 2 and July 1 of each year. The notes were purchased by the Los Angeles County Treasury Pool and are due on June 30, 2008. Proceeds of the notes are being used to purchase equipment. The notes are to be repaid from the proceeds of lease revenue bonds.

Defeasance of Gap Loan Receivable Notes

As discussed in Note 17, the County issued $204,710,000 of Gap Receivable Notes ("Notes"), which have not been recognized as obligations of the County. On July 26, 2005, the State remitted $204.7 million to the Trustee and this payment fully satisfies the State's obligation for this matter. The State's full payment of this obligation occurred earlier than anticipated and the Notes were legally defeased on August 12, 2005. Repayment funds have been placed in escrow by the trustee and will be held until December 1, 2006, which is the maturity date of the Notes.

18. SUBSEQUENT EVENTS-Continued

Marina Del Rey Certificates of Participation

On August 1, 2005, the County prepaid all $55,313,000 of the outstanding Marina Del Rey Certificates of Participation (COPs) as permitted under the Trust Agreement. The other $11,515,000 of Marina Del Rey COPs were redeemed as part of the regularly scheduled July 1, 2005 debt service payment. General Fund revenues were used to finance the prepayment.

Medi-Cal Redesign

On August 1, 2005, the California Health and Human Services Agency and CMS approved for the five-year period, August 1, 2005 through July 31, 2010, California's Medi-Cal Hospital/Uninsured Care Section 1115(a) Medicaid Demonstration Project.

Tax-Exempt Commercial Paper

On September 27, 2005, the Los Angeles County Capital Asset Leasing Corporation issued an additional $60,000,000 in tax-exempt commercial paper. The proceeds are being used to fund capital requirements of the LAC+USC Medical Center Replacement Project. The commercial paper, which was initially issued at an average rate of 2.70%, is secured by a long-term lease of County real estate and a letter of credit.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited - See accompanying independent auditors' report)

Los Angeles County Employees Retirement Association
Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded/ (Overfunded) AAL [UAAL/(OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/(OAAL) as a Percentage of Covered Payroll ((b-a)/c)
06/30/02	28,262,129	28,437,493	175,364	99.4%	4,744,340	3.7%
06/30/03	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%
06/30/04	27,089,440	32,700,505	5,611,065	82.8%	4,919,531	114.1%

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions in the Indenture and the Lease. This summary does not purport to be comprehensive and reference should be made to the Indenture and the Lease for a full and complete statement of their respective provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the Indenture and the Lease.

Definitions

"Acquisition Cost" means all the necessary and reasonable costs in connection with the acquisition of any Equipment Component, including, but not limited to, legal fees and expenses of counsel with respect to the financing of the Equipment and the leasing of the Equipment; to the extent such fees and expenses are approved by a Lessee Representative.

"Acquisition Fund" means the fund of that name established pursuant to the Indenture.

"Base Rental Account" means the Base Rental Account within the Bond Fund established pursuant to the Indenture.

"Book-Entry Bonds" means the Bonds registered in the name of the Nominee, as the Bondowner thereof, pursuant to the Indenture.

"Business Day" means any day other than a Saturday, Sunday or a day on which banks in both New York, New York and the city in which the Principal Corporate Trust Office is located are authorized or required by law to be closed.

"Cede & Co." means Cede & Co., the initial Nominee of DTC.

"Bondowner" means the registered Bondowner, as indicated in the Bond Register, of any Bond, including DTC or its Nominee, or any successor Depository or its Nominee for the Bonds, as the sole registered Bondowner of Book-Entry Bonds.

"Bond Fund" means the fund of that name established pursuant to the Indenture.

"Bond Register" means the books for the registration of the ownership of the Bonds referred to in the Indenture.

"Closing Date" means the date on which the Bonds are first executed by the Lessor and authenticated and delivered by the Trustee to the initial purchasers thereof.

"Cost of Issuance" means all the costs of preparation, sale and issuance of the Bonds and other costs related to such financing including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Lease, the Bonds and the preliminary and final official statements; rating agency fees; CUSIP Service Bureau charges; legal fees and expenses of counsel with respect to the financing of and leasing of the Equipment; the initial fees and expenses of the Trustee and its counsel and of any paying agent and its counsel; and other fees and expenses incurred in connection with the issuance of the Bonds and the payment of the BANs or the implementation of the financing, to the extent such fees and expenses are approved by a Lessee Representative or a Lessor Representative.

"Costs of Issuance Account" means the Costs of Issuance Account established in the Acquisition Fund pursuant to the Indenture.

"Depository" means DTC and its successors and assigns or if (a) the then depository resigns from its functions as securities depository of the Bonds, or (b) the Lessee discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Lessor.

"Earnings Fund" means the fund of that name established pursuant to the Indenture.

"Equipment Component" means each discrete component of the personal property described in the Lease, as the same may be amended from time to time.

"Event of Default" means any one or more of the events described in the Indenture.

"Excess Earnings Account" means the account of that name established in the Earnings Fund pursuant to the Indenture.

"Financial Guaranty Insurance Policy" means the financial guaranty insurance policy issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"Fitch" means Fitch, Inc., New York, New York, its successors and assigns.

"General Account" means the General Account established in the Acquisition Fund pursuant to the Indenture.

"Information Services" means, in accordance with then-current guidelines of the Securities and Exchange Commission, one or more services selected by the County which are then providing information with respect to the Bonds.

"Insurance Proceeds Fund" means the fund established pursuant to the Indenture.

"Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto or assignee thereof, as provider of the Financial Guaranty Insurance Policy.

"Interest Account" means the Interest Account established in the Bond Fund pursuant to the Indenture.

"Investment Earnings" means interest and income received in respect of the investment of money on deposit in any fund or account maintained under the Indenture.

"Investment Earnings Account" means the Investment Earnings Account established in the Earnings Fund pursuant to the Indenture.

"Lease Payment Date" means the Business Day immediately preceding June 1 and December 1 of each year during the Term of the Lease, commencing on December 1, 2006, except if such Lease Payment Date is on a date which is not a Business Day then the Lease Payment Date will be the next succeeding Business Day.

"Lease Year" means the period to be selected by the Lessee in accordance with regulations promulgated under the Code.

"Lessee" means the County of Los Angeles.

"Lessee Representative" means the Treasurer and Tax Collector of the Lessee or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessee with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Lessor Representative" means the Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor or any other employee of the Lessee designated and authorized in writing by such officer to act on behalf of the Lessor with respect to the Indenture and all other related agreements, including but not limited to the Lease.

"Lessor" means the Los Angeles County Capital Asset Leasing Corporation, a California nonprofit public benefit corporation.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Outstanding" when used as of any particular time with respect to any Bond, means any Bonds previously executed by the Lessor and authenticated and delivered by the Trustee under the Indenture, except: (1) any Bond previously canceled by the Trustee or surrendered to the Trustee for cancellation; (2) any Bond for the payment or redemption of which funds and/or investments of the type described in clause (A) of the definition of Qualified Investments in the necessary amount shall have been deposited with the Trustee (whether on or prior to the maturity or redemption date of such Bond (as provided in the Indenture)); (3) any Bond purchased by the Lessor and surrendered to the Trustee for cancellation; (4) any Bond in lieu of or in exchange for which another Bond or other Bonds shall have been executed by the Lessor and authenticated and delivered by the Trustee pursuant to the Indenture; (5) any Bond that is more particularly described in the Indenture that is not presented for payment, when the principal becomes due; and (6) any Bond for which a notice of redemption shall have been given and for which money for its redemption shall have been set aside as provided in the Indenture.

"Principal Account" means the Principal Account established in the Bond Fund pursuant to the Indenture.

"Principal Corporate Trust Office" means the office of the Trustee at the address set forth in the Indenture, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Qualified Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the Lessee:

(a) For all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the of the United States of America, including: (i) United States of America treasury obligations; (ii) all direct or fully guaranteed obligations of the United States of America; (iii) Farmers Home Administration; (iv) General Services Administration; (v) Guaranteed Title XI financing; (vi) Government National Mortgage Association ("GNMA"); and (vii) State and Local Government Series;

Any security used for defeasance pursuant to Section 11.01 hereof must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(b) For all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Rural Economic Community Development Administration; (iii) U.S. Maritime Administration; (iv) Small Business Administration; (v) U.S. Department of Housing and Urban Development; (vi) Federal Housing Administration; and (vii) Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (ii) obligations of the Resolution Funding Corporation; (iii) senior debt obligations of the Federal Home Loan Bank System; and (iv) senior debt obligations of other Government Sponsored Agencies approved by the Insurer;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 270 calendar days after the date of purchase (ratings on holding companies are not considered as the ratings of the banks);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" by S&P, and which mature not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and, (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category of Moody's or S&P; or (ii)(A) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting of cash or securities as described in paragraph (2) above, which escrow may be applied

only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by an Accountant's Certificate, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or the prepayment date or dates specified pursuant to such irrevocable instructions, as appropriate;

(7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) Investment Agreements approved in writing by the Insurer;

(9) The Local Agency Investment Fund of the State of California;

(10) The County Treasurer's Investment Pool; and

(11) Other forms of investments (including repurchase agreements) approved in writing by the Insurer.

"Rating Agencies" means Fitch, Moody's and S&P; provided, however, that if either of Fitch or Moody's does not rate investments or obligations of a type described in any of clauses (1) through (13) of the definition of "Qualified Investments," a rating by such entity shall not be required.

"Redemption Account" means the Redemption Account established in the Bond Fund pursuant to the Indenture.

"Reserve Fund" means the fund established pursuant to the Indenture.

"Reserve Requirement" means $1,000,000.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"State" means the State of California.

"Tax Certificate" shall have the meaning assigned to such term in the Indenture.

"Term" has the meaning set forth in the Lease.

"Trustee" means The Bank of New York Trust Company, N.A. and its successors and assigns.

"Useful Life" means, with respect to any Equipment Component, the period of time, expressed in years, and fraction of years, for which the Lessee reasonably expects that such Equipment Component may be economically utilized for the purpose or purposes for which such Equipment Component is intended.

THE INDENTURE

The following is a summary of certain provisions contained in the Indenture. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture.

Acquisition Fund

There shall be established in trust a special fund designated as the "Acquisition Fund," which shall consist of a General Account and a Costs of Issuance Account. There shall be deposited into the General Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall, on behalf of the Lessor, transfer from the General Account on the Closing Date to the Lessor the amount that, together with the County Contribution, is necessary to pay and redeem $46,211,740.84 aggregate principal amount of the BANs. If there shall remain any balance of money in the General Account following the retirement in full of the BANs, all money so remaining shall be transferred by the Trustee, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement, and the excess, if any, of such amount shall be transferred to the Base Rental Account. There shall be deposited in the Costs of Issuance Account that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall disburse money from the Costs of Issuance Account to pay Costs of Issuance promptly after receipt of, and in accordance with, a written direction of a Lessor Representative pursuant to the Indenture. Any funds remaining in the Costs of Issuance Account on the date on which the Lessor Representative has notified the Trustee in writing that all Costs of Issuance have been paid shall be transferred, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, thereafter, to the Bond Fund.

Bond Fund

There shall be established in trust a special fund designated the "Bond Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the fund as provided in the Indenture. The Bond Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the provisions of the Lease, or until such date as there are no Bonds Outstanding. Within the Bond Fund, the Trustee shall establish the following accounts: (a) Base Rental Account; (b) Interest Account; (c) Principal Account; and (d) Redemption Account.

<u>Base Rental Account</u>. Except as otherwise provided in this paragraph, Base Rental and proceeds of liquidated damages and rental interruption insurance, if any, with respect to the Equipment received by the Trustee shall be deposited into the Base Rental Account. Any delinquent Base Rental payments and any proceeds of liquidated damages or rental interruption insurance deposited in the Base Rental Account shall be applied, first, to the Interest Account for the immediate payment of interest payments on the Bonds past due, and then to the Principal Account for immediate payment of principal payments past due according to the tenor of any Bond, and, then, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement. Any remaining money representing delinquent Base Rental payments or proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account to be applied in the manner provided in the Indenture.

Any amounts remaining in the Base Rental Account on any Interest Payment Date or redemption date after the transfers referred to in the provisions relating to the Interest Account and the Principal Account in the following paragraph shall have been made, other than money held for Bonds not surrendered, shall be deposited into the following funds and accounts in the order of priority indicated: (i) the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement, and (ii) the Interest Account to the extent necessary to make the total amount on deposit in the Interest Account equal to the amount of interest due on the Bonds on the next succeeding Interest Payment Date or redemption date. Amounts not required to be so deposited shall be remitted to the Lessee except that, as provided above, any remaining money representing delinquent Base Rental and any proceeds of liquidated damages or rental interruption insurance shall remain on deposit in the Base Rental Account.

Interest Account and Principal Account. The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Interest Account an amount which, together with money on deposit in the Interest Account and available to pay interest due on such date, equals the interest then due on the Bonds on the Interest Payment Date or redemption date, as the case may be. Amounts in the Interest Account shall be used to pay interest on the Bonds. The Trustee shall, on or before each Interest Payment Date or redemption date, transfer money from the Base Rental Account and deposit in the Principal Account an amount which, together with money on deposit in the Principal Account and available for such purpose, equals the principal then due or required to be redeemed on the Interest Payment Date or redemption date, as the case may be, with respect to the Bonds. Amounts in the Principal Account shall be used to pay principal of the Bonds.

Redemption Account. Any proceeds of insurance (other than rental interruption insurance proceeds) or awards in respect of a taking under the power of eminent domain not required to be used for repair, reconstruction or replacement of the Equipment and, under the terms of the Indenture, required to be deposited into the Redemption Account, and any other amounts provided for the redemption of Bonds in accordance with the terms of the Indenture, shall be deposited by the Trustee in the Redemption Account. The Trustee shall, upon surrender of the Bonds called for redemption, on or after the scheduled redemption date withdraw from the Redemption Account and pay to the Bondowners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed in accordance with the Indenture. Amounts in the Redemption Account shall be used to pay the redemption price with respect to the Bonds.

Reserve Fund

There shall be established in trust a special fund designated the "Reserve Fund," which shall be held by the Trustee and which shall be held separate and apart from all other funds and money held by the Trustee. The Trustee shall administer the Reserve Fund as provided in the Indenture. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease or until there are no longer any Bonds Outstanding. There shall be deposited in the Reserve Fund that portion of the proceeds of the Bonds required to be deposited in the Reserve Fund pursuant to the Indenture and all other amounts required to be deposited in the Reserve Fund pursuant to the Indenture. If on any Interest Payment Date, the amount on deposit in the Interest Account and/or the Principal Account is less than the principal and interest payments due with respect to the Bonds on such date, then the Trustee shall transfer from the Reserve Fund for credit to such account or accounts sufficient amounts to make up the deficiencies. In the event of any such transfer, the Trustee shall, within five days thereafter, provide written notice to the Lessor of the amount and the date of such transfer. At least five Business Days prior to each Interest Payment Date, the Trustee shall calculate the Reserve Requirement, giving effect to any Bonds to be paid or redeemed on that Interest Payment Date. On such calculation date, the Trustee shall notify the Lessor of any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement on that Interest Payment Date. On the Business Day prior to each Interest Payment Date, the Trustee shall transfer any amounts on hand in the Reserve Fund in excess of the Reserve Requirement (other than amounts that constitute Investment Earnings) to the Base Rental Account of the Bond Fund for application in accordance with the Indenture. If the amount on deposit in the Reserve Fund five Business Days prior to any Interest Payment Date is less than the Reserve Requirement, the Trustee shall promptly notify the Lessor of such fact. Upon receipt of such notice, the Lessor shall transfer to the Trustee for deposit into the Reserve Fund all funds legally available for such use until the amount on deposit in the Reserve Fund equals the Reserve Requirement. For purposes of determining the amount on deposit at any time in the Reserve Fund the Trustee shall value all Qualified Investments in the Reserve Fund at the cost of such investments (exclusive of accrued interest).

Earnings Fund

The Trustee shall establish, maintain and hold in trust a special fund separate from any other fund or account established and maintained under the Indenture designated as the "Earnings Fund." The Trustee shall administer the Earnings Fund as provided in the Indenture. The Earnings Fund shall be maintained by the Trustee until the Lessor directs, in writing, that it be closed.

The Trustee shall establish and maintain in the Earnings Fund a separate account designated as the "Investment Earnings Account," and a separate account designated as the "Excess Earnings Account." All moneys in the Investment Earnings Account and the Excess Earnings Account shall be held by the Trustee in trust and shall be kept separate and apart from all other funds and money held by the Trustee. Pursuant to the Indenture, the Trustee shall deposit, as and when received, all Investment Earnings on the funds and accounts established under the Indenture (other than the Costs of Issuance Account and the Excess Earnings Account) into the Investment Earnings Account. Amounts on deposit in the Investment Earnings Account shall be transferred to the Excess Earnings Account pursuant to written instructions from the Lessor Representative in accordance with the provisions of the Tax Certificate. Upon such transfer, any amount remaining in the Investment Earnings Account or any amount on deposit in the Excess Earnings Account which exceeds the amount required to be maintained therein in accordance with the provisions of the Tax Certificate, shall pursuant to written instructions from the Lessor Representative be deposited, first, to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and, second, to the Interest Account of the Bond Fund. Except as set forth in the preceding sentence, amounts on deposit in the Excess Earnings Account shall only be applied to payments made to the United States in accordance with written instructions of the Lessor Representative.

Insurance Proceeds Fund

If any Equipment Component shall be damaged, destroyed or stolen, the Lessee may elect to repair or replace such affected Equipment Component if the conditions set forth in the Lease are satisfied. If any Equipment Component shall be damaged, destroyed or stolen and the Lessee exercises its option to repair or replace such affected Equipment Component, the Lessee shall deposit with the Trustee the full amount of any insurance deductible relating to any insurance policy pursuant to which the Lessee will file an insurance claim. The proceeds of any insurance (other than any rental interruption insurance proceeds), including the proceeds of any self insurance fund or insurance deductible received on account of any damage, destruction or taking of any Equipment Component or portion thereof and any other amount which the Lessee elects to deposit with the Trustee for purposes of repairing or replacing any Equipment Component, shall be held by the Trustee in a special account to be created by the Trustee, designated as the "Insurance Proceeds Fund," and held under the Indenture and, if the Lessee exercises its option to repair or replace such affected Equipment Component, such proceeds shall be made available for, and to the extent necessary to be applied to, the cost of the repair or replacement upon receipt by the Trustee of a requisition executed by a Lessor Representative, together with invoices for the repair or replacement as provided in the Lease. Pending such application, such proceeds may be invested by the Trustee solely at the written direction of the Lessor, in Qualified Investments that mature not later than the times money is expected to be needed to pay the costs of repair or replacement. If within 60 days following the receipt by the Trustee of any proceeds of any insurance, including the proceeds of any self insurance fund claim relating to any Equipment Component, the Lessee does not exercise its option to repair or replace the affected Equipment Component, such proceeds shall be deposited into the Redemption Account and applied to the redemption of Bonds in the manner provided in the Indenture. Any amounts received by the Trustee under this paragraph in excess of the amount needed to either repair or replace a damaged, destroyed or taken Equipment Component or to redeem Bonds shall be transferred to the Reserve Fund to the extent necessary to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement and the excess, if any, of such amount shall be remitted to the Lessee.

Covenants

Lessor To Perform Pursuant to Lease. The Lessor covenants and agrees with the Bondowners to perform all obligations and duties imposed on it as Lessor under the Lease.

Extension of Payment of Bonds. The Lessor shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or prepaid, or the time of payment of interest with respect thereto. Nothing in the Indenture shall be deemed to limit the right of the Lessor to issue any securities for the purpose of providing funds for the repayment of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Access to Books and Records: Notices. The Trustee shall at all times have access to those books and records of the Lessor which may be reasonably required by the Trustee to fulfill its duties and obligations under the Indenture.

General. The Lessor shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Lessor under the provisions of the Indenture. The Treasurer and Tax Collector of the Lessee as ex officio officer of the Lessor and all deputies or assistants of such officer are designated agents of the Lessor for the purposes of instructing the Trustee under the Indenture and executing and delivering any documents necessary or advisable for the transactions contemplated by the Indenture or in order to accomplish the purposes of the Indenture, and the Lessor further authorizes such persons to instruct the Trustee as they deem necessary and to execute and deliver such documents. The Lessor certifies, declares, recites and warrants that upon the date of initial issuance of any of the Bonds, (a) all conditions, acts and things with respect to the Lessor required by the Constitution and the laws of the State and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Constitution of the State and the applicable laws of the State, (b) the issuance of the Bonds shall comply in all respects with the applicable laws of the State, and (c) the Lessor is duly authorized to execute and enter into the Indenture.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on all Bonds, the Lessor covenants in the Indenture to comply with each applicable requirement of section 103 and sections 141 through 150 of the Code, in that the Lessor agrees to comply with the covenants contained in, and the instructions given pursuant to the Tax Certificate. The Trustee agrees to comply with any written instructions received from the Lessor which the Lessor indicates must be followed in order to comply with the Tax Certificate. Notwithstanding any other provision of the Indenture to the contrary, upon the Lessor's failure to observe, or refusal to comply with, the foregoing covenant, no persons other than the Trustee or the Bondowners shall be entitled to exercise any right or remedy provided to the Bondowners under the Indenture on the basis of the Lessor's failure to observe, or refusal to comply with the covenant.

Prosecution and Defense of Suits. The Lessor shall promptly take such action as may be necessary to cure any defect in the title to the Equipment or any Equipment Component, whether now existing or hereafter occurring, and shall prosecute and defend all suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances. The Lessor will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the provisions of the Indenture, and for the better assuring and confirming to the Trustee, on behalf of the Bondowners, the rights and benefits provided in the Indenture.

Continuing Disclosure. The Lessee has covenanted and agreed in the Disclosure Certificate that the Lessee will comply with and carry out all of the provisions of the Disclosure Certificate. Notwithstanding anything to the contrary contained in the Indenture, failure to comply with the provisions of the Disclosure Certificate shall not be considered an Event of Default under the Indenture; provided, however, the Trustee at the written request of any Bondowner of at least 25% aggregate principal amount of Bonds, shall, or any Bondowner may, take such actions as may be necessary and appropriate but only to the extent indemnified to its satisfaction from any cost, liability, expense or additional charges, including without limitation fees and expenses of its attorneys, including seeking mandate on specific performance by court order, to cause the Lessee to comply with its obligations under the Disclosure Certificate.

Notices to Rating Agencies. The Trustee covenants and agrees that it shall give or cause to be given notice to the Rating Agencies of the occurrence of any amendments to the Indenture or the Lease, to the extent actually known to it; and any redemption, purchase or defeasance of the Bonds.

Investments Authorized

Except as otherwise provided in the Indenture, money held by the Trustee in any fund or account under the Indenture shall be invested by the Trustee in such Qualified Investments as the Lessor shall direct in writing, provided that amounts in the Reserve Fund shall be invested in Qualified Investments which will mature not more than five years after the date the Reserve Fund acquires the investment. The Qualified Investments shall be registered in the name of the Trustee where applicable, as Trustee, and shall be held by the Trustee. Absent timely written directions from the Lessor, the Trustee shall invest any funds held under the Indenture by it in securities described in subsection (5) of the definition of Qualified Investments. The Lessor agrees that it will give direction to invest only in Qualified Investments and the Trustee shall have no obligation to inquire into the accuracy of the Lessor’s determination that such investments are Qualified Investments. Absent direction from the Lessor to the contrary, the Trustee may commingle any of the funds held by it pursuant to the Indenture into a separate fund or funds for investment purposes only; provided, however, that all funds and accounts held by the Trustee shall be accounted for separately notwithstanding such commingling by the Trustee, including separate accounting of the earnings on such commingled investments. The Trustee may purchase or sell to itself or any affiliate, principal or agent, investments authorized by this paragraph. Any investments and reinvestment shall be made giving full consideration to the time at which funds are required to be available under the Indenture. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment or as a sponsor or advisor with respect to any investment. The Lessor acknowledges that to the extent the Comptroller of the Currency or other applicable regulatory entity grants the Lessor the right to receive brokerage confirmations of securities transactions as they occur, the Lessor specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessor periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

Provisions Relating to the Trustee

The Trustee is appointed to act solely as set forth in the Indenture, to receive, hold and disburse in accordance with the terms of the Indenture the moneys to be paid to it, to authenticate and deliver Bonds secured by Base Rental to be paid by the Lessee under the Lease, to apply and disburse payments received pursuant to the Lease to Bondowners, all as provided in the Indenture. By executing and delivering the Indenture, the Trustee accepts the duties and obligations provided in the Indenture.

The Lessor may at any time, so long as no Event of Default has occurred and is continuing, by written request at any time and for any reason and with the prior written consent of the Insurer, remove the Trustee and any successor thereto, and shall thereupon, with the prior written consent of the Insurer, appoint a successor or successors thereto, but any such successor shall be a commercial bank, national banking association, or trust company having an office in California, which, together with the corporate parent of such Trustee, has a combined capital (exclusive of borrowed capital) and surplus of at least $100,000,000 and shall be subject to supervision or examination by federal or state banking authority. Notwithstanding the foregoing, a bank, national banking consortium or trust company which does not have a combined capital and surplus of at least $100,000,000 may be appointed as the successor Trustee if its obligations under the Indenture are guaranteed by an affiliate which meets the capitalization requirement set forth in the preceding sentence, which guaranty shall be acceptable as to form and substance to the Lessor. If the bank, national banking consortium or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes as provided for under the Indenture, the combined capital and surplus of the bank, national banking consortium or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

The Trustee or any successor may at any time resign by giving written notice to the Lessor and Insurer and by giving notice by first class mail, postage prepaid, to the Bondowners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 45 days after mailing of the notice, unless an earlier appointment of a successor trustee shall have been effected. Upon receiving the notice of resignation, the Lessor shall promptly appoint, with the prior written consent of the Insurer, a successor Trustee by an instrument in writing; provided, however, that in the event the Lessor fails to appoint a successor Trustee within 30 days following receipt of the written notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the Bondowners, the Lessor or any court shall satisfy the qualifications set forth in the Indenture. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Indenture), shall be the successor to the Trustee without the execution or filing of any paper or further action, anything in the Indenture to the contrary notwithstanding.

Amendments

Amendments to Indenture. The Indenture may be modified or amended at any time without the consent of any Bondowners, upon the written agreement of the Lessor and the Trustee, but only (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provisions contained in the Indenture, (b) in regard to questions arising under the Indenture which the

Trustee may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Bondowners then Outstanding, (c) to qualify the Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (d) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding or the interests of the Insurer so long as the Financial Guaranty Insurance Policy is in full force and effect and the Insurer is not in default thereunder; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification hereof upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Bondowner to receive the Bondowner's proportionate share of Base Rental in accordance with the provisions of the Owner's Bond without the prior written consent of the Bondowner so affected, reduce the percentage of Bondowners whose consent is required for any amendment to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding or modify any provision of the Indenture expressly recognizing or granting rights in or to the Insurer in any manner which affects the rights of the Insurer hereunder without its prior written assent thereto. The Trustee may in its discretion, but shall not be obligated to, enter into any such amendment which adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Amendments to Lease. The Lease may be amended in writing by agreement among the parties to the Indenture. The Lease may be modified or amended at any time, and the Trustee may consent to such modification or amendment without the consent of any Bondowners, if such modification or amendment is (a) for the purpose of curing any ambiguity or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture; (b) in regard to questions arising under the Lease which the Lessee and the Lessor may deem necessary or desirable and not inconsistent with the Lease and which shall not adversely affect the interests of the Bondowners then Outstanding; (c) to modify or amend the equipment description set forth in Exhibit B to the Lease to reflect the substitution of Equipment Components; (d) to modify or amend Exhibit A to the Lease to reflect the acquisition of Equipment Components after the Closing Date, if applicable; (e) to modify or amend Exhibit A to the Lease to reflect the prepayment of Base Rental pursuant to the Lease; or (f) for any other reason; provided such modification or amendment does not adversely affect the interests of the Bondowners then Outstanding or the interests of the Insurer so long as the Financial Guaranty Insurance Policy is in full force and effect and the Insurer is not in default thereunder; and provided further that the Lessor and the Trustee may rely in entering into any such amendment or modification of the Lease or in giving consent to such amendment or modification upon the opinion of Bond Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment to the Lease shall impair the right of a Bondowner to receive such Bondowner's share of Base Rental in accordance with the terms of his Bond, decrease the amount of Base Rental payable or postpone the dates upon which such payments are to be made without the prior written consent of the Bondowner so affected, or modify any provision of the Lease expressly recognizing or granting rights in or to the Insurer in any manner which affects the rights of the Insurer thereunder without its prior written assent thereto.

Consent of Bondowners. If the consent of the Bondowners is required or requested with respect to any proposed amendment to the Indenture or to the Lease, it shall not be necessary for the consent of the Bondowners to approve the particular form of any such amendment, but it shall be sufficient if such consent shall approve the substance thereof. If at any time the Lessee or the Lessor shall request the Trustee to enter into any amendment to the Indenture or to consent to an amendment to the Lease and the Trustee determines that the consent of the Bondowners is required for such amendment, then the Trustee shall, at the expense of the Lessor, cause notice of the proposed execution of a document containing such amendment, and requesting their consent thereto, to be mailed, postage prepaid, to the Owners of all

Outstanding Bonds at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the Principal Corporate Trust Office for inspection by all Bondowners.

Whenever, at any time after the date of the mailing of such notice, there shall be delivered to the Trustee an instrument or instruments in writing purporting to be executed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in such notice and specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee upon having received the consent of the Lessor may execute such amendment or give its consent thereto in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Bondowner shall have consented thereto. If the Bondowners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental agreement shall have consented to and approved the execution of such supplemental agreement as provided under the Indenture, no Owner of any Bond shall have any right to object to the execution of such amendment, or to object to any of the terms and provisions contained in such supplemental agreement or the operation thereof or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Lessor from executing the same or from taking any action pursuant to the provisions of such supplemental agreement.

The lack of actual receipt by any Bondowner of such notice and request for consent and any defects in such notice and request for consent shall not affect the validity of the proceedings for the obtaining of such consent. A certificate of the Trustee that the notice and request for consent have been mailed as provided in the Indenture shall be conclusive as against all parties. Any such written consent shall be binding upon the Bondowner giving such consent and on any subsequent Bondowner (whether or not such subsequent Bondowner has notice thereof) unless such consent is revoked in writing by the Bondowner giving such consent or by the subsequent Bondowner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the Trustee shall have executed the applicable amendment or given its consent to the applicable amendment as provided under the Indenture.

Consent of the Insurer in lieu of Bondowner Consent. Unless otherwise provided and so long as the Insurer is not in default under the Financial Guaranty Insurance Policy, the Insurer's consent shall be required instead of any consent of the Bondowners.

Limitation of Liability

Neither the Lessee nor the Lessor shall have any obligation or liability to the Bondowners with respect to the performance by the Trustee of any duty imposed upon the Trustee under the Indenture, including the distribution by the Trustee of principal of and interest on the Bonds to the Bondowners. Except as provided in the Indenture, neither the Trustee nor the Lessor shall have any obligation or liability to the Bondowners with respect to the payment of Base Rental by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by the Lessee in the Lease. Except for (a) the payment of Base Rental and Additional Rental when due in accordance with the provisions of the Lease, and (b) the performance by the Lessee of its obligations and duties as set forth in the Lease, the Lessee shall have no obligation or liability to the Trustee or the Bondowners.

Neither the Trustee nor the Lessor shall have any obligation or responsibility for providing information to the Bondowners concerning the investment quality of the Bonds, for the sufficiency of any Base Rental or for the actions or representations of the Lessee. Neither the Trustee nor the Lessor (except as provided below) shall have any obligation or liability to the Lessee with respect to the failure or refusal of the Lessee to perform any covenant or agreement made by it under the Lease, but shall be responsible solely for the performance of the duties expressly imposed upon it under the Indenture. Notwithstanding the foregoing, the Lessor shall be liable to the Bondowners with respect to the failure of the Lessee to perform any covenant or agreement contained in the Lease, but only to the extent of the Lessor's interest in the Equipment. The recitals of facts, covenants, and agreements contained in the Lease shall be taken as statements, covenants and agreements of the Lessee and neither the Trustee nor the Lessor assumes any responsibility for the correctness of the same and makes no representation as to the validity or sufficiency of the Indenture, the Lease or the Bonds, or as to the value of or title to the Equipment and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations assigned to or imposed upon it under the Indenture. The Trustee shall not be liable except for its own negligence or willful misconduct.

To the extent permitted by law, the Lessor shall indemnify and save and hold the Trustee harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all losses, including the costs of defense, and damages suffered by it as a result thereof (which includes legal fees and expenses), where and to the extent such claim, suit or action arises out of the performance of its duties under the Indenture, or the actions of any other party to the Indenture or the Lease, including but not limited to the ownership, operation or use of the Equipment, the defense of any suit or the enforcement of any remedies under the Indenture, the Bonds or any related document. Such indemnification shall not extend to judgments or settlements obtained against the Trustee and expenses of litigation in connection therewith based upon failure of the Trustee to perform and carry out the duties specifically imposed upon and to be performed by the Trustee pursuant to the Indenture, unless the Lessor has agreed in writing that the Trustee not perform such duty. In the event the Lessor is required to indemnify the Trustee as provided in the Indenture, the Lessor shall be subrogated to the rights of the Trustee to recover such losses or damages from any person or entity. The obligations of the Lessor to the Trustee under this paragraph shall survive the resignation or removal of the Trustee and the discharge of the Indenture.

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee and the Bondowners any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision of the Indenture; and all such covenants, conditions, and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee and the Bondowners.

Events of Default and Remedies of Owners and the Insurer

The following shall be "Events of Default" under the Indenture: (a) an event of default shall have occurred under the Lease; or (b) breach by the Lessor of any other terms, covenants or conditions contained in the Indenture or the Lease, and failure to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee to the Lessor, or to the Lessor and the Trustee or the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such breach cannot be remedied within the 60-day period, the Lessor shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion. In the event an Event of Default has occurred and is continuing and the Trustee has knowledge of such Event of Default, the Trustee shall give notice, at the expense of the Lessor, of the Event of Default to the Bondowners. The notice shall state that the Lessor is in default and shall provide a brief description of the default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Bondowners. The notice to Bondowners provided for under the Indenture shall be given by first-class mail, postage prepaid, to the Bondowners within 30 days of the occurrence of the Event of Default, to the extent such Event of Default is actually known to the Trustee.

Upon the occurrence and continuance of any Event of Default specified in subsection (a) of the immediately preceding paragraph, the Trustee may proceed (upon written request of the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction by the Bondowners, shall proceed) to exercise the remedies set forth in of the Lease or available to the Trustee under the Indenture. The Trustee shall exercise the rights and remedies vested in it under the Indenture with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his affairs. No remedy conferred upon or reserved to the Trustee under the Indenture or the Lease is intended to be exclusive and every remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture and the Lease, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Bondowners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than the notice as may be required in the Indenture or by law. In the event any provision contained in the Indenture should be breached by a party and thereafter waived by another party, the waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach.

Subject to the enforcement of rights and remedies by the Insurer upon an event of default, in the event the Trustee fails to take any action to eliminate an Event of Default under the Lease or under the Indenture, including the collection of Base Rental when due, the Bondowners of a majority in aggregate principal amount of the Bonds then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Lease or the Indenture, but only if such Bondowners, shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Lease or the Indenture or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with the request within a reasonable time. Notwithstanding any other provisions in the Indenture, the right of any Bondowner to receive the Bondowner’s share of Base Rental in accordance with the provisions of his Bond or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Bondowner.

Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys’ fees and expenses) incurred in and about the performance of its powers and duties under the Indenture, to the extent necessary to pay all principal and interest then due and unpaid with respect to all Outstanding Bonds and to make the deposit into the Base Rental Account required to be made pursuant to the Lease, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Indenture or the Lease shall be deposited by the Trustee into the Base Rental Account and transferred, first, to the Interest Account and, then, to the Principal Account to pay the interest and principal due with respect to the Bonds. If the amount deposited into the Interest Account is not sufficient to pay all overdue interest payments, the amounts deposited shall, if paid to the Bondowners, be distributed pro rata to Bondowners on the basis of the amount of interest due and unpaid to the Bondowners. If the amount deposited into the Principal Account is not sufficient to pay all overdue principal payments, the amount deposited shall, if paid to the Bondowners, be distributed pro rata to Bondowners on the basis of the amount of principal due and unpaid to the Bondowners.

To the extent not required to be deposited into the Base Rental Account pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Indenture or the Lease shall be applied as follows in the order of priority indicated: (a) first, deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; (b) second, deposited in the separate fund to be established for Additional Rental pursuant to the Indenture and used to pay Additional Rental then due and payable; and (c) thereafter, any remaining amounts shall be deposited into the Base Rental Account.

Notwithstanding anything to the contrary in the Indenture, so long as the Insurer is not in default under the Financial Guaranty Insurance Policy, upon the occurrence and continuance of an Event of Default as defined in the Indenture, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Indenture.

Defeasance

All or any of the Bonds may be paid or be deemed to be paid in one of the following ways: (1) by the deposit by the Lessor with the Trustee, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Bond Fund and the Reserve Fund and dedicated, as evidenced by a certificate of a Lessor Representative, to this purpose, without the need for further investment, is fully sufficient to pay the Bonds, including all principal and interest due with respect thereto, *provided, however*, that this means of defeasance shall be subject to written confirmation by each nationally recognized rating agency, then rating the Bonds, that the defeasance provided for in the Indenture, will not cause the then current ratings to be reduced or withdrawn; or (2) by the deposit with the Trustee in accordance with the Lease, at or before maturity of the Bonds, of cash and/or investments of the type described in clause (A) of the definition of Qualified Investments which, in the written opinion of a certified public accountant, is in an amount sufficient, together with the earnings to accrue on the Government Obligations without the need for further investment, to pay when due the debt service on the Bonds, including all principal, redemption premium, if any, and interest payable with the respect thereto.

When any Bond has been paid or is deemed to have been paid as provided in the Indenture, the Bond shall no longer be deemed Outstanding under the provisions of the Indenture, and all obligations of the Trustee and the Lessor under the Indenture with respect to the Bond shall cease, except only the obligations of the Trustee under certain provisions of the Indenture and the obligations to pay or cause to be paid to the Bondowner thereof all sums due with respect thereto and to pay to the Trustee any amounts due pursuant to the Indenture.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Financial Guaranty Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Lessor, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Lessor to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

THE LEASE AGREEMENT

The following is a summary of the provisions contained in the Lease. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Lease.

Term

The Term of the Lease shall commence on the Closing Date, and shall end on the earlier of (1) such time as the Bonds payable from Base Rental attributable to all the Equipment Components shall have been paid (including any abated Base Rental) and provided no default or event of default then exists and is continuing under the Lease, or (2) December 1, 2010, unless such term is otherwise terminated or extended as provided in the Lease. If on December 1, 2010, the Indenture shall not be discharged by its terms, or if the Base Rental payable under the Lease shall be abated at any time and for any reason, then the Term of the Lease shall be extended until the Indenture shall be discharged by its terms. If prior to December 1, 2010, the Base Rental and Additional Rental shall have been fully paid in connection with the Bonds, the term of the Lease shall end ten days thereafter or ten days after written notice by the Lessee to the Lessor to the effect that the Base Rental and Additional Rental payable under the Lease shall be fully paid and all Bonds have been fully paid, and the Lease shall thereupon terminate.

Base Rental

Subject to the provisions of the Lease, the Lessee shall pay to the Lessor, its successors and assigns, as a portion of the rental for the use and possession of the Equipment, Base Rental payments, each comprised of components of principal and interest, equal to the aggregate Base Rental specified in the Lease. Except as otherwise required under the Lease, in no event shall the Base Rental on any date be less than the aggregate amount of principal and interest required to be paid or redeemed on such date with respect to the Bonds. Base Rental payable by the Lessee shall be due one day prior to each Lease Payment Date during the term of the Lease. The interest component of Base Rental payable on the Business Day preceding June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the interest component of Base Rental payable on the Business Day preceding December 1 in any year shall be for the period of June 1 of such year to November 30 of such year. The principal component of Base Rental payable on the Business Day preceding June 1 in any year shall be for the period of December 1 of the preceding year (or from the Closing Date in the case of the first year) to May 31 of such year and the principal component of Base Rental payable on the Business Day preceding December 1 in any year shall be for the period of June 1 of such year to November 30 of such year. To secure the performance of its obligation to pay Base Rental, the Lessee shall deposit the Base Rental payable on each Lease Payment Date with the Trustee, in immediately available funds, at least one day prior to that Lease Payment Date, in each case for application by the Trustee in accordance with the terms of the Indenture. The obligation of the Lessee to pay Base Rental shall commence on the Closing Date

Base Rental shall be paid from any source of legally available funds of the Lessee and, so long as any Equipment Component is available for the Lessee's use, the Lessee covenants to take such action as may be necessary to include all Rental Payments due under the Lease in any Fiscal Year during the Term in its annual budget for the Fiscal Year and to make the necessary annual appropriations for all such Rental Payments, which covenants of the Lessee shall be deemed to be, and shall be, ministerial duties imposed by law, and it shall be the duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Lessee to carry out and perform the covenants made by the Lessee under the Lease. Subject to certain provisions of the Lease, the Lessee's obligation to make Rental Payments when due shall be absolute and unconditional without any right of set-off or counterclaim. The obligation of the Lessee to make Rental Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the Lessee to make Rental Payments under the Lease constitute indebtedness of the Lessee, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Notwithstanding any dispute between the Lessor and the Lessee, including any dispute as to the failure of any Equipment Component to perform the task for which it is leased, the Lessee shall make all Rental Payments when due and shall not withhold any Base Rental payments pending the final resolution of such dispute. In the event the Lessee should fail to make any of the payments required, the payments in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable to the Lessor, its successors and assigns, at the rate equal to the net effective interest rate paid with the respect to the Bonds on the date such interest was due.

The Base Rental and the Additional Rental required by the Lease shall be paid by the Lessee in consideration of the right of possession of, and the continued use and possession of, the Equipment during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that the Base Rental for each of such period as set forth in the Lease does not exceed the fair rental value of the Equipment. In making such determination, consideration has been given to the Acquisition Costs, other obligations of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Equipment and the benefits therefrom which will accrue to the Lessee and the general public. The Lessee understands and agrees that, pursuant to the assignment provided for in the Indenture, the Lessor has assigned its right to receive and collect Base Rental and prepayments thereof and certain other rights to the Trustee in trust for the benefit of the Bondowners, and the Lessee consents to such assignment. The Lessor directs the Lessee, and the Lessee agrees to pay to the Trustee at the Principal Corporate Trust Office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to the Lease. The total Rental Payments due in any Fiscal Year shall be for the use and possession of the Equipment for such Fiscal Year. Base Rental payments shall be subject to abatement as provided in the Lease.

Additional Rental

In addition to the Base Rental, the Lessee shall pay as Additional Rental such amounts as shall be required for the payment of all administrative costs of the Lessor, if any, relating to the Equipment or the issuance of the Bonds, including without limitation, taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Equipment or undertaking of the transactions contemplated in the Lease or in the Indenture, fees of auditors, accountants, attorneys or engineers, fees, expenses and indemnification costs of the Trustee and all other necessary administrative costs of the Lessor and Lessee or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Lease, the Bonds or of the Indenture, including the insurance premiums required to maintain insurance as required under the Lease, or to defend the Lessor, its members and each Indemnified Party. Additional Rental due under the Lease shall be paid by the Lessee directly to the person or persons to whom such amounts shall be payable. The Lessee shall pay all such amounts when due or within thirty days after notice in writing from the Trustee to the Lessee, stating the amount of additional payments then due and payable and the purpose thereof.

Substitution of Equipment Components

The Lessee shall, at any time, have the right to substitute any item of personal property of comparable value to and a Useful Life not less than the remaining Useful Life of, the Equipment Component to be substituted, but only by providing the Trustee with (a) a written certificate (1) describing both the new Equipment Component and the Equipment Component for which it is to be substituted, and stating that such new Equipment Component is of comparable value and has a Useful Life not less than the Useful Life of the Equipment Component for which it is being substituted and (ii) stating that such substitution will not result in an abatement of Rental Payments, and (b) a new Exhibit B to the Lease, which shall include the substitute Equipment Components and which shall supersede in its entirety the existing Exhibit B to the Lease. All costs and expenses incurred in connection with such substitution, including without limitation the cost of acquiring such property, shall be borne by the Lessee. In the event of such substitution, the Equipment Component substituted for the original Equipment Component shall become fully subject to the terms of the Lease. Notwithstanding any substitution of Equipment Components pursuant to the Lease, there shall be no reduction in the Base Rental due from the Lessee under the Lease and there shall be no reduction in the aggregate fair rental value of the Equipment as a result of such substitution.

Option to Purchase Equipment Components and Prepay Base Rental

The Lessee shall have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase all but not less than all of the Lessor's right, title and interest in the Equipment on any Business Day, upon payment of the option price, but only if the Lessee is not in default under the Lease and only in the manner provided in the Lease. The option price for the Equipment in any Fiscal Year shall be the amount necessary to pay or defease all of the Bonds then Outstanding. The Lessee shall exercise its option to purchase the Equipment under the Lease by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in the Equipment and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised, and (ii) shall be in an amount equal to the amount of Base Rental which would have been payable had such option not been exercised. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or investments of the type described in clause (A) of the definition of Qualified Investments in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised the option granted it pursuant to the Lease, and shall have paid or made provision (as set forth in the preceding paragraph) for the payment of the required option price, the Lessor and the Trustee shall execute and deliver to the Lessee bills of sale or quitclaim deeds and releases, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in each purchased Equipment Component. If the Lessee shall properly exercise the option provided in the Lease prior to the expiration of the Term of the Lease, and the Lessor and the Trustee shall execute and deliver the bills of sale or quitclaim deeds and releases, as appropriate, for each Equipment Component as aforesaid, then the Lease shall terminate, but such termination shall not affect the Lessee's obligation to pay the option price on the terms set forth in the Lease.

In the event that the Lessee exercises its option to purchase all of the Equipment and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph and pays all Additional Rental required by the Lease, the Lessee's obligations under the Lease shall thereupon cease and terminate, including but not limited to the Lessee's obligations to continue to pay Base Rental under the Lease.

The Lessee shall also have the exclusive right and option, which shall be irrevocable during the Term of the Lease, to purchase the Lessor's right, title and interest in any Equipment Component on any Business Day, upon payment of the option price therefor, but only if the Lessee is not then in default under the Lease and only in the manner provided in the Lease. The option price in any Fiscal Year for each Equipment Component shall be as specified by the County; provided, however, that the remaining annual fair rental value of the remaining Equipment Components, in the aggregate, shall be at least equal to the principal and interest remaining due in each year on all Outstanding Bonds. The Lessee shall exercise its option to purchase under this paragraph by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Lessor's right, title and interest in any Equipment Component and the option price shall be payable in installments solely from amounts deposited with the Trustee as provided in the Lease. Each such installment (i) shall be payable at each time at which a payment of Base Rental would have been payable for the use and possession of such Equipment Component had such option not been exercised until the due date of the final installment referred to in the proviso set forth below in this paragraph, and (ii) shall equal the amount of each Base Rental attributable to that Equipment Component; provided, however, that the final installment shall be payable on or prior to the end of the Term of the Lease. In order to secure its obligations to pay the installments referred to above and to provide for the payment thereof, the Lessee, concurrently with the exercise of its purchase option under the Lease, shall deposit or cause to be deposited with the Trustee, in trust, cash and/or Government Obligations in such amount as in the written opinion of a certified public accountant will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to above at the times at which such installments are required to be paid. Such deposit shall be in addition to the Base Rental due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the Lessee shall be remitted to the Lessee. On any Business Day as to which the Lessee shall properly have exercised its option to purchase any Equipment Component pursuant to this paragraph, and shall have paid the option price therefor, the Lessor and the Trustee shall execute and deliver to the Lessee a bill of sale or quitclaim deed and release, as appropriate, conveying to the Lessee or its nominee the Lessor's and Trustee's right, title and interest in that Equipment Component. If the Lessee shall properly exercise the option provided in this paragraph as to any Equipment Component prior to the expiration of the Term of the Lease, then the lease for that Component shall terminate and thereafter the Lessee shall be obligated to pay Base Rental only on the remaining Equipment Components.

In the event the Lessee exercises its option to purchase any Equipment Component and in connection therewith performs all of its obligations and satisfies all of the requirements specified in the immediately preceding paragraph with respect to such Equipment Component, the principal component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the principal amount of Bonds payable on that Lease Payment Date which were redeemed or defeased (as a result of such purchase) and the interest component of each Base Rental due on each Lease Payment Date after such date of purchase shall be reduced by an amount equal to the interest which would have been payable on that Lease Payment Date on the prepaid principal components (as a result of such purchase) had such amounts not been prepaid. If any such reductions in Base Rental shall occur, the Lease shall be amended by the Lessee to reflect such reductions.

Maintenance

The Lessee shall, at its own expense, maintain the Equipment, or cause the same to be maintained, in good order, condition and repair and furnish all parts, mechanisms, devices and servicing required therefor so that the value and condition of the Equipment will at all times be maintained, ordinary wear and tear excepted. All such parts, mechanisms and devices shall immediately, without further act, become part of the Equipment, without cost to the Lessor. The Lessee shall provide or cause to be provided all maintenance service, security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Equipment. The Lessee shall cause all Equipment Components to be operated in accordance with the manufacturer's or supplier's instructions or manuals, by duly qualified personnel only and in compliance with all laws and regulations applicable to such Equipment Components and with all insurance which the Lessee is required to maintain under the Lease. It is understood and agreed that in consideration of the payment by the Lessee of the Rental Payments provided for in the Lease, the Lessee is entitled to use and possession of the Equipment and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Equipment during the Term of the Lease. The Lessor shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever to the Equipment. The Lessee expressly waives the right to make repairs or to perform maintenance of the Equipment at the expense of the Lessor and (to the extent applicable and to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating to repairs and maintenance. The Lessee shall keep the Equipment free and clear of all liens, charges and encumbrances, other than those existing on the Closing Date. and any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed on or materials furnished in connection with the Equipment which are not due and payable or the amount, validity or application of which is being contested in accordance with the Lease.

Insurance

The Lessee shall secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Lease, all coverage on the Equipment required by the Lease. Such insurance shall consist of. (a) a policy or policies of insurance against loss or damage to the Equipment known as "all risk," including theft, earthquake and flood. Such insurance shall be maintained at all times in an amount not less than the greater of the full replacement value of the Equipment or the aggregate principal amount of Bonds at such time Outstanding (such insurance may at any time include a deductible clause providing for a deductible not to exceed $1,000,000 from all losses in any year; if such policies are not available or if such policies are not obtainable with such deductibles from reputable insurers at a reasonable cost on the open market, the Lessee shall self-insure to the extent it cannot obtain such insurance policies); (b) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Equipment (such insurance shall afford protection with a combined single limit of not less than $100,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the Lessee's risk management officer or an independent insurance consultant retained by the Lessee for that purpose); provided, however, that the Lessee's obligations under this clause (b) may be satisfied by self-insurance; (c) rental interruption insurance to cover loss, total or partial, of the use of any part of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (a) above, in an amount sufficient at all times to pay the Base Rental payable under the Lease for a period of not less than two years (the Lessee may not self-insure for rental interruption insurance); and (d) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State or by qualified self-insurance programs, to insure against liability for compensation under the Workers' Compensation Insurance and Safety Act in force in the State, or any act enacted after the date of the Lease as an amendment or supplement thereto or in lieu thereof. The "full replacement value" as used in the Lease with respect to any Equipment Component shall mean the cost to repair or replace that Equipment Component, with an Equipment Component of like kind and quality, without deduction for depreciation, but shall in no event be less than the cost of said original Equipment Component as reflected in the Lease.

Liens

Except as provided in the Lease, the Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgages, pledges, liens, charges, encumbrances or claims, as applicable, on or with respect to the Equipment, other than the respective rights of the Lessor and the Lessee as provided in the Lease. Except as expressly provided in the Lease, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided, however, that the Lessee (a) may contest any such mortgage, pledge, lien, charge, encumbrance or claim without payment thereof so long as such non-payment and contest stays execution or enforcement of such mortgage, pledge, lien, charge, encumbrance or claim, but if such mortgage, pledge, lien, charge, encumbrance or claim is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the Lessee shall forthwith pay and discharge such judgment or such mortgage, pledge, lien, charge, encumbrance or claim, or (b) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture. The Lessee shall reimburse the Lessor for any expense incurred by the Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Laws and Ordinances

The Lessee agrees to observe and comply with all rules, regulations and laws applicable to the Lessee with respect to each Equipment Component and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the Lessee, and the Lessor shall not be liable therefor. The Lessee agrees further to place, keep, use, maintain and operate the Equipment in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Abatement

A proportionate amount of Base Rental shall be abated during any period in which, by reason of damage, destruction, theft or otherwise, there is substantial interference with the use and possession of any Equipment Component by the Lessee. There shall be no abatement of Base Rental to the extent that moneys are (a) on deposit in the Reserve Fund, (b) on deposit in the Base Rental Account, Interest Account or Principal Account of the Bond Fund and (c) otherwise legally available to the Lessee and transferred to the Trustee for the purpose of making Base Rental, and are available to pay the amount which would otherwise be abated. The amount of any abatement shall be such that the resulting Base Rental in any Fiscal Year during which such interference continues, excluding any amounts described in clauses (a) through (c) above, do not exceed the fair rental value for the use and possession of the Equipment Components not taken, damaged or destroyed. Such abatement shall commence on the date of theft, damage or destruction and shall end with the substantial completion of the work of repair of the Equipment Component or the delivery of a replacement Equipment Component. Additional Rental shall not be abated so long as a significant portion of the Equipment Components remains available for the use and possession of the Lessee. Except as provided in the Lease, in the event of any such theft, damage or destruction, the Lease shall continue in full force and effect and the Lessee waives any right to terminate the Lease by virtue of any such theft, damage or destruction.

Assignment, Subleasing and Amendment of the Lease

Except as provided in the Indenture, the Lessor will not assign the Lease, its right to receive Base Rental from the Lessee, or its duties and obligations under the Lease to any other person, firm or corporation.

The Lessee may sublease any Equipment Component, with the consent of the Lessor, subject to all of the following conditions: (a) the Lease and the obligation of the Lessee to make Base Rental under the Lease shall remain obligations of the Lessee; (b) the Lessee shall, within sixty (60) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease; (c) no sublease by the Lessee shall cause any Equipment Component to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and (d) prior to entering into any sublease, the Lessee shall deliver to the Trustee an opinion of Bond Counsel to the effect that the interest component of the Base Rental due with respect to the Equipment Component subject to the sublease shall not be includable in gross income for federal income tax purposes as a result of such sublease.

The Lessee will not alter, modify or cancel or agree or consent to alter, modify or cancel the Lease except as permitted by the Indenture.

Events of Default and Remedies

The following shall be “events of default” under the Lease and the terms “events of default” and “defaults” shall mean, whenever they are used in the Lease, any one or more of the following events: (a) failure by the Lessee to pay any Base Rental required to be paid under the Lease when due on a Lease Payment Date; (b) failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease or otherwise with respect to the Lease or in the Indenture, other than as referred to in clause (a) of this paragraph, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, or the Bondowners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee or such Owners, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; (c) the filing by the Lessee of a case in bankruptcy, or the subjection of any right or interest of the Lessee under the Lease to any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may be enacted after the date of the Lease; and (d) the Lessor’s failure to perform any of its obligations under the Lease shall not be an event permitting the nonpayment of Base Rental by the Lessee or the termination of the Lease by the Lessee.

The parties to the Lease agree that any remedies provided under the Lease shall be exercised by the Trustee, as assignee of the Lessor’s rights. Upon the occurrence and continuance of any event of default, the Trustee may proceed (and upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall proceed) to exercise the remedies set forth in the Lease. Pursuant to California Civil Code Section 1951.4, notwithstanding that the Lessee has breached the Lease and abandoned the Equipment, the Lease shall continue in effect and the Lessor or the Trustee may enforce all of their rights and remedies under the Lease. Without limiting any other remedies available to the Trustee under the Lease or at law, the Trustee shall have the right, at its option, without any further notice (a) to recover rent as it becomes due under the Lease, and (b) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach of the Lease or to rescind the Lease. In addition, unless and until the Lease has been terminated pursuant to its terms, the Lessee shall be liable for all unpaid rent and other amounts due under the Lease before or during the exercise of any of the foregoing remedies and for all legal fees, taxes, governmental charges and other costs and expenses incurred by reason of the occurrence of any event of default or the exercise of the Trustee's remedies with respect thereto.

Neither the Lessor nor the Trustee shall exercise its remedies under the Lease so as to cause the portion of Base Rental designated as and comprising interest to be included in gross income for federal income tax purposes or to be subject to State personal income taxes. Notwithstanding any other provision of the Lease to the contrary, in no event shall the Lessor or the Trustee have the right to accelerate the payment of any Base Rental under the Lease. Notwithstanding any provision of the Lease to the contrary, the Trustee does not have the right: (i) to demand that the Lessee return the Equipment; (ii) to enter upon the premises where the Equipment is located and take possession of or remove the same by summary proceedings or in any other manner; (iii) to terminate the Lease and sell the Equipment or otherwise dispose of, hold, use, operate, lease to others or keep idle the Equipment; or (iv) to retake possession of the Equipment in any manner.

APPENDIX D

PROPOSED FORM OF APPROVING OPINION

Upon the delivery of the Bonds, Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the County and the Corporation, proposes to issue its approving opinion in substantially the following form:

County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 432
Los Angeles, California 90012

Los Angeles County Capital
Asset Leasing Corporation
County of Los Angeles
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 383
Los Angeles, California 90012

Re: Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $28,675,000 Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2006 (the "Indenture"), by and between the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") and The Bank of New York Trust Company, N.A., as Trustee (the "Trustee"). The Bonds are payable from and secured by payments of Base Rental, as such term is defined in the Lease Agreement, dated as of June 1, 2006 (the "Lease Agreement"), by and between the Corporation, as lessor, and the County of Los Angeles, California, a political subdivision of the State of California, as lessee (the "County"). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture and the Lease Agreement.

The County has entered into the Lease Agreement for the purpose of leasing certain items of personal property described therein. The County is obligated under the Lease Agreement to pay Base Rental from any source of legally available funds, subject to the provisions in the Lease Agreement providing for abatement of Base Rental payments in certain circumstances. Pursuant to the Indenture, the Corporation has assigned its right to receive Base Rental payments to the Trustee for the benefit of the Bondowners.

We are of the opinion that:

1. The Lease Agreement has been duly authorized, executed and delivered by the County and constitutes a valid and legally binding obligation of the County, enforceable in accordance with its terms.

2. The Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable in accordance with its terms.

3. The obligation of the County to make Base Rental payments during the term of the Lease Agreement constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or State of California has levied or pledged any form of taxation.

4. Under existing statutes and court decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations by the Code.

5. Under existing statutes, interest on the Bonds is exempt from State of California income tax imposed on individuals.

In rendering the opinions in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate delivered on the date hereof by the Corporation with respect to the use of proceeds of the Bonds and the investment of certain funds, and other matters affecting the non-inclusion of interest on the Bonds in gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Corporation with procedures and covenants set forth in the Tax Certificate and with the tax covenants set forth in the Indenture as to such tax matters. Under the Code, failure to comply with such procedures and covenants may cause the interest on the Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

We have examined an executed Bond and in our opinion, the form of said Bond and its execution are regular and proper.

The foregoing opinions are qualified to the extent that the enforceability of the Bonds, the Indenture, the Lease Agreement and the Tax Certificate may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principals of equity (regardless of whether such enforceability is considered in equity or at law).

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the County of Los Angeles (the "County") as of June 1, 2006 in connection with $28,675,000 principal amount of Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture of Trust dated as of June 1, 2006 (the "Indenture"), by and between the County and The Bank of New York Trust Company, N.A., as Trustee (the "Trustee"), a Resolution of the Board of Supervisors of the County adopted June 1, 2006 relating to the issuance of the Bonds (the "Resolution"). Pursuant to Sections 5 and 9 of the Resolution, the County hereby covenants and agrees as follows:

1. Purpose of Certificate. This Certificate is being executed and delivered by the County for the benefit of the Bondowners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any Person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

"Listed Events" means any of the events listed in Section 5(a) of this Certificate.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Commission as of the date of this Certificate are set forth in Exhibit A to this Certificate.

"Participating Underwriter" means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including any official interpretations thereof issued either before or after the effective date of this certificate which are applicable to this Certificate.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

3. Provision of Annual Reports.

a. The County shall, or shall cause the Dissemination Agent to, not later than February 1 in each year, commencing with the report for the County's fiscal year ended June 30, 2006, provide to the Insurer and each Repository copies of an Annual Report which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Subsection 5(c).

b. Not later than 15 Business Days prior to the date specified in subsection (a) above for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories an Annual Report by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit B to this Certificate.

c. The Dissemination Agent (if one has been appointed) shall:

i. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

ii. file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

a. The audited financial statements of the County for the fiscal year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Offering Memorandum relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

b. To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

i. assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

ii. summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the fiscal year of the County most recently ended;

iii. summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

iv. summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

v. summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

vi. the ratio of the County's outstanding debt to total assessed valuations as of the end of the fiscal year of the County most recently ended.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

5. Reporting of Significant Events.

a. Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

i. principal and interest payment delinquencies;

ii. non-payment related defaults;

iii. unscheduled draws on debt service reserves reflecting financial difficulties;

iv. unscheduled draws on credit enhancements reflecting financial difficulties;

v. substitution of credit or liquidity providers, or their failure to perform;

vi. adverse tax opinions or events affecting the tax status of the Bonds;

vii. modifications to the rights of Bondowners;

viii. bond calls;

ix. defeasances;

x. release, substitution, or sale of property, it any, securing repayment of the Bonds; and

xi. rating changes.

b. Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

c. If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Insurer, the Municipal Securities Rulemaking Board and the State Repository, if any Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

6. Termination of Reporting Obligation. The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the name manner as for a Listed Event under subsection 5(c).

7. Dissemination Agent. The County may satisfy its obligations hereunder to file any notice, document or information with a NRMSIR or SID (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the agent or conduit has received an interpretive letter, which has not been withdrawn, from the SEC staff to the effect that using the agent or conduit to transmit information to the NRMSIRs and the SID will be treated for purposes of the Rule as if such information were transmitted directly to the NRMSIRs and the SID.

8. Amendment: Waiver. Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

a. If the amendment or waiver relates to the provisions of subsection 3(a), Section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. The amendment or waiver either (1) is approved by the Bondowners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be following in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in Appendix A to the County's official statements relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. No Previous Non-Compliance. The County represents that it has not failed to comply win any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

11. Default. In the event of a failure of the County to comply with any provision of this Certificate, any Bondowner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event or any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

12. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

13. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

14. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

IN WITNESS WHEREOF, the County of Los Angeles has executed this Continuing Disclosure Certificate as of the date first set forth herein.

COUNTY OF LOS ANGELES

By:______________________________________

Authorized Signatory

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories (subject to change as provided in the Continuing Disclosure Certificate):

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/municontacts.html
Email: Munis@Bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
http://www.interactivedata.com
Email: NRMSIR@interactivedata.com

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	County of Los Angeles
Name of Bond Issue:	Los Angeles County Capital Asset Leasing Corporation Lease Revenue Bonds, 2006 Series A (LAC-CAL Equipment Program)
Date of Issuance:	June 28, 2006

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of June 1, 2006 with respect to the Bonds. [The County anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

____
on behalf of the County

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

FORM OF FINANCIAL GUARANTY INSURANCE POLICY

COUNTY OF LOS ANGELES
CALIFORNIA

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

President

Secretary

Authorized Representative

Form No.: 2B-0004 (7/97)